

Local Tax Implementation and Collection Effectiveness on Regional Revenue in East Manggarai

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Abstract

In the context of a people-centered economy, the agrarian sector plays a strategic role in contributing to state revenue through the self-assessment system, which gives full trust to taxpayers to calculate and report their obligations. This study examined the effect of local tax implementation and tax collection effectiveness on Regional Original Revenue in East Manggarai Regency. A quantitative approach with multiple linear regression analysis was applied to evaluate the relationship between variables. Data were obtained from financial reports and questionnaires distributed to tax officers. The results showed that local tax implementation had a positive and significant effect on regional revenue. Tax collection effectiveness also contributed significantly to increasing revenue realization. Simultaneously, both variables strengthened regional fiscal capacity, with a coefficient of determination of 64.2 percent. These findings indicated that improving administrative systems and optimizing tax collection performance played an important role in increasing regional financial independence. The study also suggested that strengthening digital taxation systems and improving taxpayer compliance could increase revenue sustainability in the future.

Keywords

Local Tax, Regional Revenue, Tax Collection Effectiveness



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INTRODUCTION

Sustainable national development is a constitutional mandate aimed at realizing general welfare and social justice for all Indonesian people, a noble ideal whose implementation requires substantial, stable, and independent funding sources. This is in line with the views of (Mardiasmo 2018) which states that taxes are mandatory contributions to the state which are compulsory without direct compensation for the prosperity of the people, and is strengthened by the fiscal function theory of Musgrave & Musgrave (1989) which emphasizes the importance of the government's role in managing resources through allocation and distribution functions to ensure the availability of public facilities and social equality.

Along with the demands of economic reform and democratization, the Indonesian government system has undergone a fundamental paradigm shift from centralization to

decentralization. The regional autonomy policy, detailed in Law Number 23 of 2014, has transformed the structure of financial relations between the central government and the regions, giving regions the rights and obligations to responsibly manage their own revenue sources. This aligns with the principles of (Hama 2024) that fiscal independence is the main indicator of the success of autonomy, which is then reinforced by research (Setia and Hama 2023) that the effectiveness of resource management through strengthening the tax base is an important key in reducing fiscal dependence on the center.

The essence of regional autonomy is fiscal independence, allowing local governments' dependence on central government-provided balance funds to gradually reduce the need for local economic stability. This is in line with findings (Prasetyo 2023) which shows that diversification of local revenue sources through tax digitalization is effective in reducing the fiscal gap, while (Rahmawati 2025) emphasized that the policy transformation following the implementation of the HKPD Law will strengthen local economic resilience through an inclusive tax base.

The regional tax landscape is currently undergoing a radical transformation with the enactment of Law Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments (HKPD). This is in line with research (Excerpt 2023) which states that the restructuring of regional tax types provides space for regional governments to focus more on tax bases that have high elasticity, and are strengthened by (Hidayat 2025) which emphasizes that the effectiveness of this transformation is highly dependent on the readiness of digital infrastructure and data integration.

Local governments are being forced to abandon old, bureaucratic methods and adopt a strategic approach to managing their tax bases amidst certain tariff restrictions. This is in line with research (Setia, Hama, and Putra 2023) which emphasizes that the success of restructuring depends heavily on the simplification of administrative procedures, while (Setia et al. 2023) stated that innovation through tax intensification must be able to create a conducive investment climate through transparency of governance.

Regional Original Income (PAD) is a vital indicator because it reflects a region's financial independence in sovereignly financing its needs. This aligns with research Pradana (2023) which shows that high fiscal independence provides more room for local wisdom-based programs, and is strengthened by (Sustainable 2024) that optimizing the tax sector is not just about nominal amounts, but rather a strategic effort to ensure the sustainability of public services.

In the APBD structure, the most dominant and sustainable component contributing to PAD is Regional Taxes because they provide legal certainty. This is in line with the opinion of (Siahaan 2016) that regional taxes have the advantage of stability because they are based on inherent economic potential, and are strengthened by (Mardiasmo 2018) that the success of collection is largely determined by the quality of administration and taxpayer compliance.

Optimization of regional taxes has been proven to have a strong positive correlation with fiscal capacity, as stated by (Febriana 2024) that specific tax components have a significant

impact if managed with appropriate intensification. This finding is reinforced by (Prasetyo 2023) which confirms that the integration of digital monitoring systems is able to minimize revenue leakage gaps in a sustainable manner.

However, reality often shows contradictory conditions, where revenue realization remains fluctuating and has not consistently reached targets. This indicates a fundamental weakness in governance, which, according to projections, is a major concern (Hidayat 2025) the main challenge is low taxpayer compliance and less than optimal collection effectiveness amidst the dynamics of new regulations.

Complex structural and operational problems, ranging from policy inaccuracies to system inefficiencies, hamper regional revenue growth. This phenomenon aligns with research Pratama et al., (2023) regarding the weakness of the real-time monitoring system, as well as being strengthened by (Sustainable 2024) that transparency of reporting and accountability of officers are crucial factors in reducing the gap between tax potential and realization.

This inefficiency is clearly reflected in East Manggarai Regency, where local revenue fluctuations remain highly susceptible to external shocks. This is in line with studies Handayani (2022) that regions with undiversified economies have low fiscal resilience, and are strengthened by (Wicaksono 2026) which projects that fiscal sustainability will depend on the integration of digital and environmental-based tax systems.

The following is target and realization data that describes the fiscal conditions in East Manggarai Regency:

Table 1. Target and Realization of PAD for East Manggarai Regency (2019-2023)

Year	Target (Rp Billion)	Realization (Rp Billion)	Effectiveness (%)
2019	170.00	169.95	100
2020	100.00	99.34	99
2021	155.00	154.77	100
2022	191.00	190.82	100
2023	242.00	242.00	100

Source: Regional Revenue Agency of East Manggarai Regency (Processed Data)

The drastic target fluctuations indicate that the collection system has not been effective in responding to economic dynamics in a sustainable manner. As explained by Halim (2020), this phenomenon indicates that target setting is not based on real potential, and is reinforced by Saputra et al., (2023) that the inequality in effectiveness between types of taxes reflects dependence on traditional tax objects.

This disparity in effectiveness is very apparent in several specific tax sectors in East Manggarai Regency in recent years:

Table 2. Effectiveness Ratio per Type of Regional Tax in 2023

Types of Regional Taxes	Target (Rp Billion)	Realization (Rp Billion)	Effectiveness Ratio (%)	Criteria
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Land and Building Tax (BPHTB)	44.83	50.14	111.84	Very Effective
PBB P2	12.50	7.20	57.60	Ineffective
Hotel Tax	15.20	13.50	88.82	Quite Effective
Restaurant Tax	8.40	7.65	91.07	Effective
Entertainment Tax	2.10	1.45	69.05	Less Effective
Advertising Tax	1.80	1.62	90.00	Effective

Processed Data Source (2024)

The above data shows serious anomalies in the PBB-P2 sector, which falls into the ineffective category, indicating problems in the implementation of regulations and field techniques. As explained by (Siahaan 2016), the implementation of tax law requires synchronization between regulations and administration, while Wulandari & Pratama (2024) emphasized that failures are often caused by weak updating of tax object data.

The challenge in East Manggarai lies in data validity, where economic growth creates new taxable entities that often escape manual data collection. Without regular updates, potential tax revenues remain hidden, exacerbated by low taxpayer compliance due to limited tax literacy and the perception of taxes as an economic burden.

METHODS

This study uses an associative quantitative approach to examine the causal relationship between tax implementation, collection effectiveness, and Regional Original Income (PAD) in East Manggarai Regency. This approach was chosen because the data analyzed consist of statistical figures that require objective hypothesis testing through measurable scientific procedures. This aligns with the perspective of (Sugiyono 2019) that quantitative methods are used to research certain populations or samples with the aim of testing established hypotheses, and are supported by opinions Creswell (2014) that quantitative research allows researchers to measure relationships between variables efficiently through standardized instruments.

The population in this study includes all regional tax management units at the Regional Revenue Agency (Bapenda) of East Manggarai Regency, as well as budget realization report data during the observation period. Purposive sampling was used to ensure that the data collected represents the fiscal phenomena that occurred after the implementation of the new regulations. In line with this, (Arikunto 2013) stated that proper sample selection will increase the internal validity of the research, while (Sugiyono 2019) emphasizes that in public policy research, samples must be able to provide in-depth information regarding the object being studied.

Primary data in this study was collected by distributing questionnaires to respondents with technical competence in tax administration in East Manggarai Regency. The questionnaire was designed using a Likert scale to measure respondents' perceptions of

indicators of tax implementation and effectiveness (Ghozali 2018), the use of the Likert scale is very effective for measuring individual attitudes or opinions towards social phenomena, which is reinforced by the opinions of (Sekaran and Bougie 2016) that primary data through questionnaires provides high accuracy because it is obtained directly from subjects involved in the organization's operations.

In addition to primary data, this study also relies on secondary data in the form of the 2019-2023 Budget Realization Report (LRA) obtained from the East Manggarai Regency Regional Revenue Agency (Bapenda). This secondary data was used to calculate the collection effectiveness ratio and to examine historical trends in local revenue fluctuations before and after the pandemic. This aligns with the statement (Kuncoro 2013) that secondary data provides a strong empirical basis for regional macroeconomic analysis, and is supported by Hasan (2015) which states that the integration of historical data is crucial for carrying out sustainable fiscal policy projections.

The data analysis technique used was multiple linear regression analysis to evaluate the simultaneous and partial effects of independent variables on the dependent variable. Prior to conducting the regression test, the data was first ensured to meet classical assumptions, including normality, multicollinearity, and heteroscedasticity tests, to ensure the research model was unbiased. As stated by (Ghozali 2018), the fulfillment of classical assumptions is an absolute prerequisite for the estimator parameters to be the Best Linear Unbiased Estimator (BLUE), which is reinforced by Gujarati's (2012) observation that the validity of the regression model is highly dependent on the normal distribution of data and is free from correlation interference between explanatory variables.

FINDINGS AND DISCUSSION

Validity and Reliability Test Results

Based on the results of data processing using SPSS 25 in Appendix 3, all statement items for the variables Tax Implementation (X1), Effectiveness (X2), and PAD (Y) show a Sig. (2-tailed) value of $0.000 < 0.05$. This indicates that the research instrument used has a high level of validity in measuring fiscal phenomena in East Manggarai Regency. This finding is in line with the criteria (Ghozali 2018) which states that an instrument is declared valid if it is able to express what is to be measured, and is supported by (Sugiyono 2019) that the validity of primary data is the main foundation in drawing credible quantitative research conclusions.

In addition to validity, reliability tests showed that Cronbach's Alpha values for all variables were above the threshold of 0.60, indicating that the data were consistent for further analysis. The regression model also met the classical assumptions, indicating that the data distribution was normal and free from multicollinearity and heteroscedasticity. According to (Kuncoro 2013) a research model that is free from the interference of classical assumptions will produce unbiased estimates, which is reinforced by the statement (Gujarati 2012) that the reliability of a statistical model is highly dependent on fulfilling the requirements for the appropriateness of data distribution.

Description of Respondent Characteristics

This study involved 40 respondents, employees of the Regional Revenue Agency of East Manggarai Regency with technical expertise in taxation. The majority of respondents had a bachelor's degree (S1) and over five years of work experience, so the data provided in the questionnaire reflected actual operational conditions in the field. This aligns with the opinion of (Sekaran and Bougie 2016) that the characteristics of competent respondents will minimize bias in data collection, while (Kuncoro 2013) emphasized that the accuracy of selecting research subjects greatly determines the quality of regional fiscal policy analysis.

Regression Analysis and the Effect of Regional Tax Implementation (X1)

The partial test results (t-test) show that the Tax Implementation variable (X1) has a calculated t-value of 5.082 > t-table 2.024 with a significance level of 0.000 < 0.05. This figure proves that tax implementation has a positive and significant effect on the Regional Original Income of East Manggarai Regency, where strengthening regulations and administration directly increases taxpayer compliance. This is in line with the theory (Siahaan 2016) that the implementation of tax law requires synchronization between regulations and administration, and is strengthened by research (Setia and Hama 2023) that transparency in policy implementation is directly correlated with revenue optimization.

Analysis of the Influence of Collection Effectiveness (X2)

The Collection Effectiveness variable (X2) was proven to have a significant influence with a t-value of 4.115 > t-table 2.024 and a significance level of 0.000 < 0.05. These results indicate that any increase in collection performance will make a real contribution to increasing regional revenue realization in East Manggarai. This is in line with the findings Halim (2020) that the effectiveness of collection is an indicator of the success of regional government management, and is supported by research (Prasetyo 2023) which confirms that operational efficiency in tax collection is directly proportional to the growth of fiscal independence.

Simultaneous Test (F Test) and Coefficient of Determination (R²)

Simultaneously, the F-value was obtained at 34.210 with a significance level of 0.000, which means that Tax Implementation and Effectiveness together are the main determinants of achieving the PAD target. The Adjusted R-Square value of 0.642 indicates that 64.2% of the variation in PAD in East Manggarai is influenced by these two variables, while the remaining 35.8% is influenced by other external factors. This is in line with the thinking (Febriana 2024) regarding policy integration as the key to fiscal success, and is strengthened by (Wicaksono 2026) that effective synergy of regulation and implementation ensures the sustainability of regional development.

CONCLUSION

This study confirmed that the objectives stated in the introduction were achieved through the empirical results presented in the results and discussion section. Local tax implementation and tax collection effectiveness were proven to significantly influence regional revenue in East Manggarai. Tax implementation improved compliance and

administrative efficiency, while collection effectiveness ensured the realization of potential revenue. Simultaneously, both variables contributed significantly to strengthening regional fiscal capacity.

The findings indicated that integrated fiscal policies combining administrative improvement and operational efficiency were essential for sustainable revenue growth. This study also provided prospects for further research by incorporating additional variables such as digital taxation systems, taxpayer behavior, and intergovernmental fiscal policies. The results could be applied as a reference for local governments in improving tax management strategies and enhancing fiscal independence.

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