

The Effectiveness of Tax Incentives and Tax Revenue in Improving Village Tourism Infrastructure

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Article history

Submitted: 2026/04/13; Revised: 2026/05/23; Accepted: 2026/06/15

Abstract

Tourism infrastructure development is a key factor in driving regional economic growth based on local potential. This study examines the influence of tax incentives and tax revenue on the quality of tourism infrastructure in Manggarai Regency. This study aims to analyze how regional fiscal dynamics influence infrastructure development in strategic tourism destinations. An associative quantitative approach was used in this study, with data collected from 110 respondents representing tourism service businesses and local government agencies. Multiple linear regression analysis was applied to test the relationship between variables. The results show that tax incentives have a positive and significant effect on the quality of tourism infrastructure. Tax revenue also shows a more dominant influence on infrastructure improvement. Simultaneous testing confirms that both variables jointly influence the quality of tourism infrastructure, with a coefficient of determination of 64.2 percent. This finding indicates that strengthening the synergy between tax incentive policies and effective tax revenue management plays a crucial role in supporting sustainable tourism infrastructure development in Manggarai Regency.

Keywords

Regional Finance, Tax Incentives, Tourism Infrastructure, Tax Revenue.



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INTRODUCTION

The Manggarai Regency in East Nusa Tenggara boasts a highly competitive tourism potential, particularly in terms of its cultural and natural uniqueness. Popular destinations like Wae Rebo and the Liang Bua archaeological site have become magnets for both domestic and international tourists (BPS Manggarai, 2024). However, this potential is often hampered by accessibility challenges, which require special attention from the local government (Ismail, Rahman, and Yusuf 2022)

In response to these challenges, (Hama 2024) he explained that the acceleration of physical development in the NTT region depends heavily on the government's efficiency in managing the capital expenditure budget, which is derived from independent revenues. Without optimizing Regional Original Income (PAD), strategic programs to improve

infrastructure in rural areas will continue to face financial constraints. (Mulyadi 2020)

The regional tax sector, particularly from hotels and restaurants, is the backbone of fiscal liquidity in Manggarai Regency. Increased tourist visits automatically contribute to strengthening regional coffers through accommodation tax collections (Sari, Putri, and D. Lestari 2023). Superior public facilities will create a positive domino effect on investment growth and taxpayer compliance. (Suryani and Wijaya 2022).

In addition to optimizing collection, a fiscal incentive policy is also being implemented to provide a stimulus for tourism service providers in remote areas. This tax relief facility is expected to reduce operational costs, allowing small business managers to allocate funds for independent facility improvements (Wicaksono, Hidayat, and Firmansyah 2021). It is believed that a well-targeted stimulus policy can minimize the risk of business failure for local entrepreneurs who are just starting out (Nasucha, Widodo, and Santoso 2022).

The implementation of tax relaxation in Manggarai is focused on creating a more attractive investment climate, particularly for businesses in the Satarmese and Cibal tourist areas. This persuasive approach to fiscal policy not only stimulates the economy but also fosters collective taxpayer awareness (& Putra 2024); (Setia, Hama, and Y. Putra 2023). In his study, he emphasized that tax loyalty in the micro sector is largely determined by their perception of the quality of public services returned by the state.

Despite systematically designed tax instruments, the physical reality of infrastructure in Manggarai still faces challenges of fluctuating quality due to extreme weather. The mountainous topography, which is prone to landslides, requires significantly higher infrastructure maintenance costs than in lowland areas (Lumbantoruan 2023) This creates a need for data synchronization between tax revenue realization and periodic improvement schedules. (Utomo, Santoso, and Prabowo 2022).

Table 1. Tourism Sector Tax Targets and Realization (2023-2024)

Period	Type of Income	Budget Target (Rp)	Realization (Rp)	Percentage
2023	Hotel & Restaurant Tax	6,500,000,000	6,150,000,000	94.6%
2024	Hotel & Restaurant Tax	7,300,000,000	7,170,000,000	98.2%

Source: Manggarai Regency Regional Revenue Agency (Reprocessed, 2026)

Table 2. Existing Condition of Main Tourist Transportation Routes

Destination Route	Distance (Km)	Steady Status	Damaged Status
Wae Rebo Route	22	65%	35%
Liang Bua Trail	12	80%	20%
Cibal Tourist Route	15	60%	40%

Source: PUPR Service, Manggarai Regency (Reprocessed, 2026)

The data presented in Tables 1.1 and 1.2 reflect the gap between high tax targets and the uneven quality of roads. This indicates that the budget distribution mechanism for

infrastructure in the interior of Manggarai still faces allocation challenges. (Prasetyo, Nugraha, and Hidayat 2022). Transparency of information regarding the use of tax funds is essential so that taxpayers feel they are making a real contribution to improving their environment. (Sudarman, Putri, and Wibowo 2023).

In addition to allocation constraints, the high construction price index in the mountainous Manggarai area is a burden on the regional budget (Hama 2024). He reminded that the success of physical development in NTT requires strict oversight of regional spending to prevent inefficiencies in non-priority budget items. Coordination between fiscal policy and technical oversight in the field is a key requirement for infrastructure projects to have long-term sustainability. (& Zhang 2022).

The lack of optimal infrastructure along tourist routes has been shown to negatively impact tourist satisfaction and repeat visits. Conversely, providing adequate transportation facilities is a tangible form of regional tax reimbursement that can improve local economic competitiveness (Bird, Martinez-Vazquez, and Torgler 2020). Prioritizing road improvements in tourist villages must be the main agenda in the tax revenue sharing fund utilization scheme (Mulyadi, Siregar, and Nugroho 2023).

In the academic sphere, the study of the integration of fiscal stimulus and regional physical development has become a crucial topic, particularly for regions with limited financial independence. This study attempts to contribute to the literature by examining the role of tax instruments in advancing tourism villages in Manggarai. (Spillane and Rahman 2021). Hama (2024) recommends that public policies in the regions are always based on data on the real needs of the community at the village level.

Synergy between district governments and local communities determines the effectiveness of macro and micro infrastructure development. The use of technology in regional tax collection is expected to increase transparency and speed up financing of public facilities (& Putra 2024). The continuity of tourism infrastructure development is a long-term investment that will strengthen Manggarai's position on the national tourism map (Sari, Putri, and D. Lestari 2023).

As a preliminary summary, this study focuses on analyzing the influence of incentives and tax revenues on the quality of physical tourism infrastructure through data from 110 respondents. The use of a multiple linear regression model is expected to provide precise recommendations for the direction of fiscal policy in Manggarai Regency (Ghozali 2018) The results of this study are expected to strengthen the regional tax management framework to be more effective and oriented towards sustainable development (Sujarweni and Utami 2023).

METHODS

The research methodology employed in this study uses a quantitative approach with an explanatory research design aimed at examining the causal relationship between tax incentives and regional tax revenues on the quality of tourism infrastructure (Leon, Suryaputri, and Purnamaningrum 2023). This approach is chosen because it allows for

objective and systematic measurement of research variables through statistical hypothesis testing (Sugiyono 2020). The study was conducted in Manggarai Regency, East Nusa Tenggara Province, focusing on leading tourism destinations such as Wae Rebo and Liang Bua. These locations were selected due to their high tourism potential but limited infrastructure conditions, making them relevant for analyzing the effectiveness of regional fiscal policies.

The population in this study consists of tourism business actors and taxpayers in the hotel and restaurant sector in Manggarai Regency. The sampling technique used is purposive sampling, with criteria including businesses registered as regional taxpayers and operating for at least one year. The total sample size is 110 respondents, which is considered adequate for statistical analysis (Ramdhan 2021). The data used in this study include primary data collected through questionnaires using a Likert scale (1–5), as well as secondary data obtained from relevant government institutions. The combination of primary and secondary data is intended to enhance the validity and reliability of the research findings (Sugiyono 2017).

Data analysis was carried out using multiple linear regression to determine both partial and simultaneous effects of the independent variables on the dependent variable. Prior to hypothesis testing, the data were subjected to validity and reliability tests to ensure the quality of the research instrument, as well as classical assumption tests including normality, multicollinearity, and heteroscedasticity (Mulyana et al. 2024). Hypothesis testing was then conducted using the t-test for partial effects, the F-test for simultaneous effects, and the coefficient of determination (R^2) to assess the explanatory power of the model (Hasan et al. 2025). This analytical approach is expected to produce accurate empirical findings and provide a basis for formulating effective and sustainable fiscal policies.

FINDINGS AND DISCUSSION

Respondent Characteristics and Data Description

This study involved 110 respondents representing tourism service providers and government officials in Manggarai Regency. Based on data collection, the majority of respondents were in the productive age range and directly involved in the management of leading tourist destinations such as Wae Rebo and Liang Bua. This is crucial because the perceptions of field stakeholders regarding fiscal policy significantly determine the validity of the research data regarding the quality of public facilities. (Ghozali 2018). The distribution of respondents' answers shows a positive tendency towards the tax incentive variable, but provides critical notes on the infrastructure quality variable which is considered to be unequal across all regions. (Sujarweni and Utami 2023).

The descriptive analysis results indicate that most respondents agree on the importance of fiscal stimulus in maintaining business continuity amid fluctuating tourist arrivals. However, the effectiveness of regional tax revenue in financing infrastructure is often viewed skeptically if it is not accompanied by transparency in the allocation of development funds. (Nasucha et al. 2022). According to Hama (2024) Taxpayers in the NTT region tend to have high expectations for tax returns in the form of tangible physical facilities. Therefore, this

descriptive data provides a strong basis for testing causality using a multiple linear regression model.

Multiple Linear Regression Analysis

Based on the results of data processing using statistical software, the resulting regression model shows a linear and significant relationship between the independent and dependent variables. The statistical test results indicate that the tax incentive (X1) and tax revenue (X2) variables collectively make a significant contribution to variations in infrastructure quality (Y) in Manggarai Regency. This is in line with the social contract theory which states that regional income is the main capital for the provision of quality public goods (Bird et al. 2020). The following is a summary of the results of partial and simultaneous hypothesis testing:

Table 1. Hypothesis Test Results (t-test and F-test)

Variables	thitung	table	Sig.	Information
Tax Incentives (X1)	3,420	1,982	0.001	Significant
Tax Revenue (X2)	5,110	1,982	0,000	Significant
Simultaneous Test (F)	42,650	3.08	0,000	Significant

Source: Processed Primary Data (2026)

The data in the table shows that the calculated F value of 42.650 far exceeds the F table, indicating that this research model is very suitable for explaining the development phenomenon in Manggarai. The Adjusted R Square value of 0.642 or 64.2% indicates that more than half of the factors influencing the quality of tourism infrastructure can be explained by regional fiscal policy. Sujarweni and Utami (2023); Setia and Hama (2023) added that the stability of regression models in regional financial research is often influenced by the consistency of government regulations in collecting taxes and providing economic stimulus simultaneously.

The Impact of Tax Incentives on Infrastructure Quality

The study found that tax incentives have a significant positive impact on the quality of tourism infrastructure in Manggarai Regency. Tax relief provides cash flow relief for hotel and restaurant businesses, allowing them to independently improve supporting facilities without waiting for government intervention. (Wicaksono et al. 2021). The indirect impact of this policy is the creation of a more organized tourist area due to financial collaboration between the public and private sectors in improving environmental facilities. (Prasetyo et al. 2022).

Furthermore, tax incentives serve as a tool to attract foreign investors to the Manggarai tourism market, which carries high geographic risks (Febriana 2024). With guaranteed fiscal protection, investment risks due to high logistics costs in the mountains can be partially minimized. Lumbantoruan (2023); Hama (2024) argues that fiscal stimulus policies in developing regions such as NTT are not simply revenue cuts, but rather long-term investments to expand the tax base in the future through infrastructure improvements funded through mutual cooperation.

The Impact of Tax Revenue on Infrastructure Quality

Tax revenue has proven to be the most dominant factor influencing physical development in tourist villages in Manggarai Regency. The substantial contribution of hotel and restaurant taxes to local revenue (PAD) allows the local government to allocate sufficient funds for road widening projects and clean water provision in remote destinations (Sari, Putri, and D Lestari 2023). Fiscal independence derived from regional taxes provides certainty that the development of public facilities will not be halted even if there is a cut in transfer funds from the central government (Mulyadi et al. 2023).

However, this dominant influence on tax revenue also demands strict transparency in every infrastructure capital expenditure item. The public and businesses tend to be more cooperative in paying taxes if they directly see that the funds are being converted into smooth roads to their businesses (Halim, Sari, and Putra 2024). (Hama 2024). In his analysis, he emphasized that the effectiveness of development in the Flores region is highly dependent on the honesty of the bureaucracy in managing tax revenues so that they are properly targeted at vital projects that support tourist mobility and the distribution of village community logistics.

Simultaneous Discussion and Policy Implications

Simultaneously, the combination of incentives and tax revenue optimization creates a balanced development ecosystem in Manggarai Regency. This integrated fiscal policy can address the construction cost index in mountainous areas, which often causes slow road improvements (Utomo et al. 2022). Quality infrastructure ultimately becomes a tangible "product" of successful regional fiscal management that is oriented towards increasing the competitiveness of tourist destinations on the international stage (Spillane and Rahman 2021).

The implications of these findings require the Manggarai Regency Government to continue refining its tax database system to expand revenue coverage while still allowing for strategic incentives. Integrating technology into tax collection can increase public trust and reduce high administrative costs (Chen, Liu, and Zhang 2022). Setia, Hama, and Y Putra, 2023) suggested that local governments also conduct periodic evaluations of the physical impact of each incentive provided to prevent loss of potential revenue without real infrastructure improvements in the field.

CONCLUSION

This study aims to analyze the influence of tax incentives and tax revenue on the quality of tourism infrastructure in Manggarai Regency. The results indicate that the formulation in the Introduction chapter has been answered in the Results and Discussion chapter, thus there is a match between the research objectives and empirical findings. Partially, tax incentives have been proven to have a positive effect on improving the quality of tourism infrastructure because they provide space for business actors to develop supporting facilities. Meanwhile, regional tax revenues show a more dominant influence as the main source of funding for infrastructure development, particularly in the provision of basic facilities in tourist areas.

Simultaneously, tax incentives and tax revenues significantly contribute to infrastructure quality, with a determination value of 64.2%. This finding underscores the importance of synergy between stimulus-based fiscal policies and optimizing regional revenues in supporting sustainable tourism development. Furthermore, the findings of this study offer potential for further development, both in the formulation of more adaptive fiscal policies and in further research with additional variables and a more comprehensive analytical approach.

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