

Enhancing Local Retribution as a Key Source of Local Revenue

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Abstract

Retribution serves as a pivotal source of revenue for the State, distinguishing itself from taxes through the provision of a direct reciprocal value to the payer. In essence, individuals or entities paying retribution receive a tangible benefit or service in return, a concept fundamentally different from the general revenue-generating nature of taxes. This study adopts a descriptive qualitative approach to explore the dynamics of retribution and its impact on the revenue generation of Gorontalo City. Utilizing financial data specific to this locale, the research zeroes in on the local government of Gorontalo City as its primary sample, employing documentation methods to collect and analyze data. The analysis process encompasses verification, categorization, in-depth analysis, and meticulous organization of data to identify strategic issues and opportunities. The study further integrates SWOT analysis as a strategic tool to outline the current landscape and pinpoint areas for improvement. A key recommendation emerging from this research is the imperative for relevant local government units, specifically the Regional Work Unit (RWU), to enhance the management, supervision, and provision of guidance related to local retribution payments. By doing so, Gorontalo City can significantly improve the efficiency of its retribution collection processes, thereby fostering sustainable growth in local revenue streams. This comprehensive approach not only aims at optimizing current operations but also at securing long-term financial stability for the region through improved retribution management practices.

Keywords: retribution, revenue, policy, Gorontalo, Indonesia

1. Introduction

Government spending, as highlighted (Iwan & Arisman, 2023), serves as a crucial indicator of the scale of governmental activities, which are directly financed by such expenditures. The correlation is clear: as the scope and magnitude of these activities increase, so does the requisite government spending. This necessitates a robust financial foundation, especially at the regional level, where the delegation of significant authority demands corresponding preparedness to wield this autonomy effectively. Among the key strategies for regional governments is the enhancement of their financial resource base, not only by optimizing existing sources of local income but also by identifying and tapping into new potential revenue streams.

The concept of local revenue emerges as a focal point in this discourse. To truly capitalize on this avenue, regional governments are urged to adopt a multifaceted approach that includes intensification, extensification, and even diversification of their revenue sources. However, such efforts must be undertaken with caution, ensuring a thorough analysis of their economic impacts is conducted beforehand. The objective is to avoid any adverse effects on economic activities that could, paradoxically, diminish the very local revenue these efforts aim to enhance.

In the broader context of fiscal policy, as delineated (Pallangan et al., 2023), government expenditure is meticulously documented within the State Budget (SB) for national concerns and the Regional Budget (RB) for local or regional matters. The RB delineates between revenue, which includes Regional

Original Revenue (RWU), and financing budgets. RWU constitutes a critical component of local finance, derived from various sources such as local taxes, levies, management of separated local assets, and other legitimate revenues. These revenues are pivotal in affording regions the flexibility needed to efficiently explore financial avenues under the umbrella of regional autonomy, a direct expression of the decentralization principle. Local retribution, specifically, embodies the transactional relationship between the government and its citizens, where payments made by the latter for government services manifest a tangible, direct benefit—an aspect underscored (Herdiansyah & Mukran, 2022). This system not only fosters a sense of accountability and direct value exchange but also stands as a testament to the broader fiscal strategies aimed at enhancing regional financial autonomy and sustainability.

In the contemporary landscape, numerous localities across developing nations are innovating in their quest to augment regional income, often resorting to the introduction of new fees or taxes. Unfortunately, such measures frequently spark controversy and dissent, as they tend to impose additional burdens on both citizens and the business sector (Sakir, 2023; Trisnawathi, 2023). This approach to tapping into regional potential not only dampens the enthusiasm of investors to channel their investments and businesses into these areas but also fosters a climate of disinvestment, prompting some to relocate their enterprises to more hospitable environments or even abroad.

Revenue at the regional level is primarily derived from Regional Original Revenue (ROR), which is garnered through the empowered authority to impose regional taxes and levies as stipulated by the legal framework, notably the Law Number 34 of 2000 and its subsequent amendment, Law Number 28 of 2009, concerning Regional Taxes and Levies. The former law empowers district and city governments to levy seven types of local taxes and 25 types of local levies, while also allowing the imposition of additional charges that align with regional potentials, provided they do not contravene existing statutes. The latter law expands this authority, enabling the collection of 11 types of local taxes and 30 types of local levies. Despite these provisions, the scope of levies and taxes actually implemented by regions such as Gorontalo City remains limited. The city has yet to fully exploit the range of levies permitted under Law No. 28/2009, thereby missing out on potential revenue sources that could bolster its economic development activities.

This scenario reveals that although cities like Gorontalo have been granted extensive rights to harness local taxes and levies reflective of their regional potentials, the actual contribution of ROR to their overall revenue is minimal. Such a dynamic underscores the city's ongoing dependence on external financial support for regional development, highlighting the need for a more strategic and comprehensive approach to local revenue generation that could truly render it self-sufficient in covering its developmental financial requirements.

2. Method

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3. Result

Retribution plays a pivotal role in augmenting state revenue, standing distinct from taxes by offering a tangible reciprocal benefit to the payer. This implies that individuals or entities paying retribution directly gain from the services or benefits financed through these payments. This study adopts a descriptive qualitative approach to analyze the financial dynamics within Gorontalo City, focusing on its local government as the primary research sample. The methodology hinges on the exhaustive examination of financial records, leaning heavily on documentation to collate data on local revenue and retributions. The process of data management encompasses verification, categorization, analysis, and systematic organization, setting the stage for a comprehensive SWOT analysis to identify and strategize around current fiscal challenges and opportunities. It emphasizes the importance of local agencies, specifically the SKPDs, in enhancing field technician performance, supervisory roles, and advisory services to boost retribution collection efforts. Such initiatives are critical for fostering the sustained growth of Gorontalo City's local revenue through improved retribution collection mechanisms.

Government expenditure, as highlighted (Sakir, 2023), serves as a tangible measure of government activity, reflecting the scope and scale of projects funded by public spending. With greater autonomy granted to regional governments, there's a pressing need for these entities to bolster their financial resource base, necessitating a multifaceted approach to revenue optimization. This includes intensifying existing revenue streams, expanding into new areas, and diversifying income sources, all while ensuring that such endeavors do not stifle economic vitality, which could paradoxically diminish local revenue. As part of fiscal policy, government spending is documented within the State Budget (SB) and Regional Budgets (RB), with the latter detailing revenues including Regional Original Revenue (RWU). RWU, encompassing local taxes, levies, and other lawful incomes, is crucial for regional autonomy, allowing for flexible fund allocation to support decentralized governance. Local retribution, a key component of RWU, establishes a direct correlation between governmental services and citizen payments, underlining a foundational principle of public finance.

In an evolving fiscal landscape, many regions have resorted to implementing new levies or taxes, often sparking public dissent due to the increased financial burden on residents and businesses. Such measures can inadvertently deter investment, prompting businesses to relocate, which undermines regional economic prospects. The legislative framework, including Law Number 34 of 2000 and its subsequent amendment, Law Number 28 of 2009, empowers local governments to impose a variety of taxes and levies. Despite this authority, the contribution of Regional Original Revenue (ROR) to total regional income remains modest in places like Gorontalo City, reflecting a gap between potential and actual fiscal autonomy in supporting regional development objectives.

This study employs a qualitative descriptive approach, leveraging financial data from Gorontalo City, including ROR Realization Report documents sourced from the Director General of Regional Government Fiscal Balance. The focus on Gorontalo City's local government provides a nuanced understanding of its revenue generation mechanisms, particularly through local taxes and levies. Data

collection relies on the documentation method, capturing details on local revenue streams and retribution efforts. A meticulous data processing regimen—encompassing verification, categorization, recommendation, and systematization—precedes a strategic analysis using the SWOT framework to navigate and address fiscal challenges and opportunities.

Within the framework of regional autonomy, specific agencies hold comprehensive authority over the management of regional finances, particularly concerning the imposition of regional levies, a responsibility that falls squarely on these agencies. Their mandate encompasses the development of technical policies in revenue management that align with existing legislative directives, the execution of governmental and public service functions within the realm of revenue management, and the provision of guidance for the effective administration of regional revenue across various sectors involved in this domain. Moreover, regional leaders are vested with the privilege of offering recommendations across different sectors to elevate staff performance. Enhancing the efficiency of personnel across these sectors is pivotal, as it directly influences the augmentation of local revenue streams. This emphasis on performance is crucial for ensuring compliance with the obligations of both individuals and corporate entities that benefit from the services rendered by local government facilities. In instances where preset targets are not met, it is incumbent upon regional leaders to issue formal notices to the pertinent departments. These notices serve as a catalyst for improving operational efficacy, urging departments to adopt a more proactive stance in enforcing compliance among those liable for tax and levy payments, thereby safeguarding and potentially increasing the local revenue base. In fulfilling their responsibilities, the apparatus of local government operates under a framework that emphasizes the importance of ethics and moral conduct. This approach is critical for ensuring that employees within the local government perform their duties with objectivity, leading to results that are both accountable and verifiable. Furthermore, it's essential that these efforts are bolstered by oversight from supervisors who possess a deep understanding and expertise in their respective areas. The role of these supervisory figures extends beyond mere oversight; they are tasked with identifying and assessing the performance of local government staff across various departments. This process is key to leveraging the unique skills and potential within each sector, ensuring that the local government operates at its highest efficiency and effectiveness. This systemic approach to governance and oversight is designed to foster an environment where ethical considerations are at the forefront of public service, ultimately contributing to the betterment of local administration and the community it serves.

Owning complete authority over the collection and management of data related to local taxes and levies, the designated department is tasked with crafting strategies that harness these figures as opportunities for revenue enhancement. Such strategies aim not only to meet or exceed the set targets for tax and levy collection but also to oversee and elevate the efficiency and quality of services provided to taxpayers. This involves rigorous supervision to prevent any organizational shortcomings.

Given the observation that revenues from local levies lag behind other sources, it's imperative for all relevant agencies to direct their regional work units (RWUs) to delve deeper into the untapped potential of local levies. This exploration and the quest for new revenue-generating avenues within the local levy spectrum are crucial for bolstering local income. Local retribution plays a pivotal role in shaping the overall landscape of local revenues, which remains a critical area for development within the broader scope of regional autonomy.

Therefore, an integrated coordination approach is essential. This would involve seamless collaboration among different agencies, departments, offices, and work units that play a role in local revenue services. Such coordination is key to unlocking and maximizing the potential of local levies, ultimately leading to a more robust and sustainable financial foundation for local government operations. This strategic alignment and collective effort are fundamental to enhancing local revenue streams, reflecting a proactive and comprehensive approach to the management and expansion of local financial resources.

4. Discussion

To mitigate the potential for public disapproval due to dwindling revenues from local levies, it is imperative for each relevant agency to undertake decisive actions aimed at enhancing the performance of the governmental personnel tasked with serving the community (Siddiquee et al., 2012). This entails a systematic and professional upgrade in the capabilities of the government workforce, underscored by the implementation of specialized policies focused on elevating the caliber of government personnel as service providers. Several critical elements play a pivotal role in elevating the quality of service delivery by government employees, particularly those involved in the collection of local levies. These elements include the establishment of a robust and transparent recruitment system for civil servants, continuous professional development during their tenure which could involve engaging in high-quality educational and training programs aimed at fostering a service-oriented mindset that prioritizes the welfare of the community, the nation, and the state (Resosudarmo, 2004).

Moreover, enhancing the managerial and leadership skills of the workforce, along with their efficiency, effectiveness, and overall quality of service, are crucial. The development of government human resources through targeted education and training programs emerges as a key strategy in boosting work efficiency, enabling employees to meet national expectations and the demands of a globalized context (Nurfatriani et al., 2022). This strategic focus on human resource development is a critical responsibility of local governments, ensuring that their employees are well-equipped to navigate and thrive in the evolving landscape, aligning with contemporary needs and challenges.

Educating taxpayers and levy payers on the significance of comprehending local legislations, particularly those pertaining to obligations for local taxes and levies, is pivotal in diminishing instances of non-compliance, such as failures to pay local taxes and levies by individuals and businesses utilizing local services. This endeavor necessitates a collaborative effort with the community and private sector to curtail potential violations and ensure the realization of local revenue targets.

Given the shortfall in achieving the set targets for local levies, it is crucial for concerned agencies to investigate the reasons behind the underperformance in local levy collection, as it poses a risk to future local revenue streams. A contributing factor to this shortfall may be a decline in the efficacy of collaboration between relevant agencies and units (Muhammad & Safarida, 2023; Putra & Woyanti, 2023). To counteract this, there needs to be a proactive approach in seeking new strategies to enhance existing collaborations. Identifying and implementing measures to bolster cooperation among agencies and units involved in managing Regional Original Revenue is essential for mitigating risks associated with diminished performance due to poor collaboration (Bitanyi et al., 2012; Hasibuan & Setyowati, 2020; Purwantomo et al., 2018).

Furthermore, there is a pressing need for relevant agencies to focus on service quality improvements and enhancements in various sectors with potential for revenue generation, thereby reducing reliance on central financing. Such initiatives are critical for bolstering regional autonomy and financial sustainability. The degree of regional financial independence can be gauged by the revenue accrued by the Regional Government. Without adequate funding, local governments are hampered in their ability to deliver development and financial services efficiently and effectively. Therefore, the enhancement of regional income serves as a strategic effort by the government to leverage potential regional financial resources, underscoring the importance of optimizing management practices and collaborative efforts to secure and increase local revenue streams.

5. Conclusion

To ensure the sustained enhancement of local retribution revenues, it is crucial for the relevant agencies to not only maintain but also improve the efficiency and proficiency of field technicians and administrative personnel. This involves meticulous management, supervision, and the provision of

advisory services to entities liable for local levies, emphasizing the critical nature of their compliance. By doing so, the aim is to elevate the contribution of local levies to the overall revenue of Gorontalo City, fostering year-on-year growth. Particular emphasis should be placed on optimizing specific categories of levies that are pivotal to this growth strategy. These include levies associated with various permits such as those for building construction, route authorization, commercial business operations, and company registrations. The focus on these specific levies is strategic, considering their significant potential to boost local revenue. Enhancing the collection process through streamlined procedures, transparent guidelines, and robust enforcement measures will not only facilitate compliance but also underline the importance of these contributions to local development. Furthermore, engaging with and educating stakeholders about the benefits of timely and full levy payments can reinforce a culture of compliance. The collective effort to optimize these specific levies is a testament to Gorontalo City's commitment to maximizing local revenue streams, which is instrumental in achieving greater regional autonomy and financial sustainability. This concerted approach underscores the critical role of targeted levy optimization in securing the financial foundations necessary for the city's ongoing and future initiatives.

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