

# Optimizing Original Local Government Revenue (PAD) in the Dairi Regency: A Regional Revenue Agency (BAPENDA) Strategy

<sup>1\*</sup>Wiro Oktavius Ginting, <sup>2</sup>Simson Ginting, <sup>3</sup>Siti Hazzah Nur, <sup>4</sup>Februati Trimurni  
<sup>1,2,3,4</sup>Public Administration Science, Universitas Sumatera Utara, Medan, Indonesia  
[wirooktaviusginting@usu.ac.id](mailto:wirooktaviusginting@usu.ac.id)

## ARTICLE INFO

### Article History:

Diterima : 14-09-2024  
Disetujui : 13-11-2024

### Keywords:

*Optimizing Revenue;  
Local Government (PAD);  
Regional Revenue Agency  
(BAPENDA)*



## ABSTRACT

**Abstract:** This study aims to increase Regional Original Revenue (PAD) in Dairi Regency and reduce reliance on federal subsidies by improving tax collection and management. The main objective is to evaluate the strategies used by the Dairi Regency Regional Revenue Agency (BAPENDA) to optimize PAD through intensification and extensification of local taxes. Using a descriptive and qualitative approach, the study gathered data through interviews, observations, and document analysis. The findings highlight BAPENDA's efforts to modernize tax collection, including the implementation of digital payment systems and collaboration with village leaders to extend tax operations. Despite a 15% increase in tax revenue from hotels and restaurants following the introduction of Tapping Boxes, challenges such as staffing shortages and uncollected revenue persist. The study suggests that improving human resources, public awareness, and infrastructure is crucial for long-term success. Future research should assess the socioeconomic impact of PAD optimization on local businesses and services, and explore strategies for sustainable revenue growth.



<https://doi.org/10.31764/justek.v7i4.29451>

This is an open access article under the [CC-BY-SA](https://creativecommons.org/licenses/by-sa/4.0/) license



## A. INTRODUCTION

Indonesian local government laws are crucial because they tackle the complicated and varied aspects of the nation's governance. Recognizing the value of allowing for regional variations, the Indonesian Constitution of 1945 called for laws that could strike a balance between local autonomy and national unity (von Luebke, 2009). Authorized organizations have responded by creating legal frameworks that specify the duties and jurisdictions of the national and local governments (Cvetković et al., 2021). Regional Government Law No. 23 of 2014 is one such framework that promotes greater regional autonomy and decentralization by giving regions the power to govern themselves (Talitha et al., 2020). But along with this autonomy comes the requirement for sound financial management, since to maintain their governance, local governments must be able to manage their resources independently (von Luebke, 2009). The ability of a region to support itself financially without the help of the federal government is essential to the viability of regional autonomy (Hills, 1998) (Trimurni & Dayana, 2018). This involves having the capacity to produce enough local income to lessen reliance on government subsidies (Ahrens & Ferry, 2020). The Regional Revenue Budget in the Regional Revenue and Expenditure Budget (APBD) of the Dairi Regency was Rp. 1,143,640,583,220 in 2021

and Rp. 1,144,0 27,253,000 in 2022, while the APBD Realization in 2021 was Rp. 1,110,845,942,928.67 in 2022 and the realization is shown in Table 1.

**Table 1.** Shows the Budget Allocation and APBD Realization for the Dairi Regency in 2021 and 2022

Year	Budget Revenue	Revenue Realization	Percentage	Budget	Expenditure Realization	Percentage
2021	Rp1.143.640.583.220,00	Rp1.110.845.942.928,67	97.13 %	Rp1.251.112.358.720,00	Rp1.107.478.791.227,80	88.52 %
2022	Rp1.144.027.253.000,00	Rp960.122.419.494,08 (Oktober)	83.78 %	Rp1.192.212.638.447,00	Rp736.172.269.761,82 (Oktober)	61.75 %

Source: North Sumatra Provincial Secretariat Development Administration Bureau, 2022

Between 2021 and 2022, Dairi Regency's regional revenue grew by Rp 2.387 billion. In addition to government transfers, other sources of funding like as the General Allocation Fund (DAU) and Special Allocation Fund (DAK) helped to finance this expansion. Grants are sums of money given to support certain regional projects or initiatives by external donors or higher levels of government. Income derived from local financial assets or investments is referred to as local finance (Zhang et al., 2021). The region's portion of income from non-tax sources, such as earnings from state-owned businesses or operations related to the extraction of natural resources, is represented by non-tax revenue sharing. On the other hand, regional incentives are monetary rewards or subsidies provided by the national government to support regional development initiatives (Seymour et al., 2020).

DAK allocations scaled by 14.2%, other legitimate regional revenues increased by 1.1%, and regional original revenue (PAD) increased by 6.1%, according to the Summary of Local Government Implementation Report 2021/2022. By enhancing tax and levy collection, modernizing public services and infrastructure, and deploying digital tools like online payment systems and data management platforms which expedite financial procedures and increase revenue efficiency Dairi Regency has been able to increase its PAD, as shown in Table 2.

**Table 2.** Targets and Realization of Regional Taxes and Retribution for Dairi Regency 2019-June 2022

PAD	2019		2020		2021		28 JUNI 2022	
	Target	Realization	Target	Realization	Target	Realization	Target	Realization
Local Taxes	15.027.000.000,00	13.810.919.111,00	11.577.500.000,00	13.398.479.706,00	17.065.000.000,00	16.031.662.549,13	19.605.000.000,00	6.147.613.301,00
Local Retributions	4.385.000.000,00	4.997.441.939,57	2.898.750.000,00	3.310.148.797,00	3.407.505.253,00	3.585.707.575,00	4.926.000.000,00	1.172.301.853,00
Local Taxes and Retribution	19.412.000.000,00	18.808.361.050,57	14.476.250.000,00	16.708.628.503,00	20.472.505.253,00	19.617.370.124,13	24.531.000.000,00	7.319.915.154,00

Source: Dairi Regional Revenue Agency, 2022

It is clear from the data in the above table that there have been yearly fluctuations in the aim and realization of Dairi Regency's Regional Original Revenue (PAD). For instance, PAD increased in 2019 and 2020 but declined in 2021, with an actual achievement of Rp. 19,617,370,124.13 compared to a target of Rp. 20,472,505,253.00. This variation emphasizes how unreliable PAD is as the Dairi Regency's main source of financing. Rather,

the majority of the region's revenue still comes from financial balancing funds including tax-sharing, non-tax profit-sharing, general allocation funds, and special allocation funds.

Several strategies have been recommended to enhance PAD. According to (Rosid & Romadhaniah, 2023), improving the administration of municipal taxes and fines might greatly increase PAD. Jouste et al. (2021) suggest, in a similar vein, that taxpayer data be gathered again, that the business sector be included in tax collection, that local tax administration be strengthened, and that the regional tax database be expanded. Furthermore, as reported by (Solaymani, 2021), non-metal mineral and rock taxes have been major contributors to the 19.30% increase in municipal taxes, which include those from restaurants and public lighting.

Future studies ought to focus on a few important areas to maximize the potential for PAD improvement (Siregar et al., 2024). To ensure justice and fairness, especially for vulnerable populations and enterprises, it is first necessary to analyze the socioeconomic impact of BAPENDA's PAD optimization efforts on businesses, employment, and economic development (Mazdalifah et al., 2024). Second, it is essential to investigate how PAD optimization affects local government infrastructure and services. Third, research comparing Dairi Regency, Makassar City, and Purwakarta could pinpoint areas for PAD management improvement as well as best practices (Nara et al., 2021). To guarantee that PAD optimization programs support sustainable growth and efficient management, research should also assess the long-term viability and financial stability of these initiatives (Ginting & Nur, 2022). For Dairi Regency's sustainable growth and the welfare of its citizens, creative, effective, and responsive management is essential to achieving successful PAD optimization. This study looks at how BAPENDA's policies have affected the level of local taxes in Dairi Regency and what helps and doesn't help the government accomplish these goals.

## **B. METHODS**

This study analyzes human interactions in regional revenue management using a descriptive approach and qualitative research, adhering to the framework proposed by (Morrow et al., 2022). By (Natow, 2020) triangulation strategy, data were gathered through interviews with subdivision heads of the Dairi Regency Regional Revenue Agency with the majority of people of Pakpak ethnicity (Ismail et al., 2018), bolstered by observations and document analysis. While observations offered insight into operational procedures, semi-structured interviews concentrated on methods to enhance Regional Original Revenue (PAD) through intensification and extensification. Based on (Puyt et al., 2024), a SWOT analysis assessed the agency's advantages, disadvantages, opportunities, and threats. Along with external considerations like new revenue opportunities and area economic trends, internal issues like staff capacity and tax collecting efficiency were evaluated. This study suggested areas that should be strategically improved to improve PAD collecting.

## **C. RESULT AND DISCUSSION**

### **1. Intensification of regional taxes and retributions**

#### **a. Institutional Aspect**

##### **1) Adjusting or improving institutional/organizational aspects**

As stated in Dairi Regent Regulation Number 07 of 2022, the Dairi Regency Regional Revenue Agency enhanced PAD administration by matching staff roles to their competencies. To improve tax collection and accuracy, important steps

included putting in place a digital tax payment system and improving data management. Additionally, to increase tax operations in rural locations, the agency collaborated with village leaders to establish subdistrict tax centers. A slight rise in PAD resulted from these initiatives' enhanced efficiency in tax compliance and collection. Less than fifty workers are in charge of the intricate taxes and retributions in the area, thus staffing shortages continue to be a problem.

2) Giving impact toward increasing original local government revenue (PAD)

Law 28 of 2009 and Dairi Regent Regulations Numbers 41 and 42 of 2020 establish the basis for collecting taxes regionally while improving transparency and streamlining processes. The modernization of local tax methods brought about by this legislation has resulted in a rise in Regional Original Revenue (PAD). The Dairi Regency Government implemented Tapping Boxes, which track business transactions, as part of its Strategic Plan and the KPK's anti-corruption campaign (KPK SP Number: B/1447/KSP.00/70-73/03/ 2021). As a result, tax income from hotels and restaurants increased by 15%. Electronic data collecting and billing have also increased efficiency and decreased errors. Enforcing tax compliance is still difficult, though, as 20% of potential revenue is still uncollected.

b. Management Aspect

Dairi Regional Regulation No. 18 of 2008, based on central government laws, sets hotel and restaurant taxes at 10% and street lighting costs at 3–9%. Central government taxes have minimum and maximum limits, but local taxes without such restrictions allow the Dairi Regency Government to decide rates based on community needs. The Dairi Regency Regional Revenue Agency modifies tax rates to meet community capacity and industrial needs, improve taxpayer service, and reflect economic conditions, inflation, and taxpayer ability. Law 23 of 2014 and Law 1 of 2022 encourage district administrations like Dairi to generate autonomous income. Improving regional income management and institutional change is crucial. Dairi Regency Regional Revenue Agency needs defined policies to assure taxpayer compliance, reduce public disputes, and streamline land and construction tax collection.

c. Aspects Of Increasing Supervision and Control

The Dairi Regency Regional Revenue Agency administers regional taxes and retributions under Regional Regulation 1 of 2020. The company works with government banks to monitor transactions and support Qris and Shopee Pay. Federal regulations and Law Number 28 of 2009, which changed tax collection from suppressive to proactive, apply. The agency manages technical policies, bookkeeping, planning, and regional income inventory for transparent and compliant financial management.

d. Human Resources Improvement Aspect

Better financial education, training, and seminars are needed at the Dairi Regency Regional Revenue Agency to boost income and prevent tax evasion. The agency sends revenue to the Dairi Regent and Regional Treasury. The agency requires better management, infrastructure, and HR to perform better. Focused training

with BPSDM will improve skills and regional income management, improving PAD results.

e. Aspects of Improving Outreach to the Community

The Dairi Regency Regional Revenue Agency improves local tax programs and public services through taxpayer education, minimizing ambiguity, and encouraging punctual payments. Effective tax management and improving awareness require collaboration among the agency, sub-district, and village heads. Tax collection's success depends on legal and psychological compliance, which is enhanced by implementing the Smart Elektronifikasi Transaksi Pemerintah Daerah (ETPD) to promote community participation and enhance financial oversight.

## 2. Extensification of Regional Taxes and Retributions

a. Creation of Regional Tax and Retribution Sources

Organizations often gather PAD vertically, ignoring sub-districts and communities. Effective PAD management requires vertical and horizontal integration. Issues include cash leakage, mismanagement, and insufficient resources. Self-assessment, direct billing, and data management have helped the Dairi Regency Regional Income Agency raise tax revenue. The agency is also adding taxpayers and altering tax rates to boost revenue.

b. Investment Policy

Dairi Regency improves investment services, transparent licensing, security, legal certainty, and local economic information to attract investors and enhance economic growth. From 2016 to 2019, investment surged, but telecommunications, transportation, and IT resources and development slowed growth. Dairi Regency must improve investment incentives and convenience to attract investors and resolve unratified spatial planning, land issues, and community relations. Indonesia offers investment incentives, but Dairi Regency needs competitive, complete facilities to attract and maintain businesses.

## 3. Supporting Factors and Inhibiting Factors Dairi District Revenue Agency in Increasing Pad

a. Identification of Strategic Issues

1) Strategic issues of a combination of strength and opportunity (Issue Strategy-SO)

(a) Law No. 28 of 2009 (O1), favorable economic indicators (O3), and rising PAD potential (O4) can improve PAD data collection. Computerized systems (S1), visionary leadership (S2), substantial budgets (S3), and motivated workers (S5) improve income management; and (b) Encourage private sector participation: Executive support (O2) and community and business desire (O9) are opportunities. Visionary leadership (S1), developed laws (S4), and committed staff (S6) boost private sector PAD management.

2) Strategic issues a combination of strengths and threats (ST Issues)

(a) Increase Local Tax Law Socialisation: Threats include public apathy towards tax payments (T4) and opposition to tax legislation (T3). Internal strengths

include an adequate budget (S3), legal frameworks (S4), and committed leadership (S6) to help socialization initiatives to promote public knowledge and tax compliance; and (b) Enforce Laws: Political instability (T1) and limited public knowledge (T4) are external dangers. Robust legislative frameworks (S4) and dedicated leadership (S6) enhance law enforcement by punishing employees and citizens who break the rules.

3) Strategic Issues and a combination of Weakness and Opportunity (W-O strategic issues)

(a) Acceptance: Inefficient data gathering (W1) and poor service quality (W3) are internal shortcomings. Law No. 28 of 2009 (O1), legislative and executive assistance (O2), and training (O8) can improve planning, PAD programs, and service activities by strengthening human resource capabilities; (b) Improve Coordination: Poor data collection (W1), service quality (W3), and coordination (W4) impairs performance. Law No. 28 of 2009 (O1), executive and legislative assistance (O2), and training (O8) can improve PAD coordination and administration; and (c) Improving Infrastructure and Facilities: Service quality (W3) and infrastructure (W2) need improvement. Law No. 28 of 2009 (O1) and executive support (O2) can improve PAD management by providing facilities.

4) Weakness and threat strategic issues (W-T strategy issues)

Strategic challenges originate from weaknesses and threats; thus, minimizing weaknesses and resolving threats is necessary. The issues: (a) Strength-Opportunity (S-O): Data collection for an accurate regional tax and retribution database. How to encourage private-sector/community cooperation on regional tax and retribution management; (b) Strength-Threat (S-T): Regional tax regulation education and outreach. Enforcement for employees and the public who break the rules; (c) HR/employee quality improvement is a weakness-opportunity (W-O). Improving internal and external coordination. How to improve workplace infrastructure; and (d) Weakness-Threat (W-T): Improving service quality to fulfill taxpayer and regional retribution demands.

Each will be described as follows: (a) Practical Data Collection (SO): Population increase and diverse economic activity require accurate PAD (Original Local Government Revenue) data collection. The database is incomplete, missing several tax subjects and objects; (b) Private Sector Cooperation (SO): Managing and collecting regional taxes and retributions using private-sector partnerships is difficult. This difficulty derives from the agency's regulatory frameworks and commitment to PAD expansion; (c) (ST) Public Education on PAD Regulations: Tax regulations must be socialized more due to low public awareness and resistance to new regulations. Increasing education will solve these problems and boost compliance; (d) Human Resource Quality and Quantity (WO): Improving the quality and quantity of human resources is essential to handle the high and complex workload. The agency should leverage opportunities provided by the government and educational programs to address this issue; (e) Internal and External Coordination (WO): The agency must enhance coordination within the office and with other relevant agencies. Effective internal and external coordination will improve synergy and collaboration in managing PAD; end (f) Work Facilities and Infrastructure (WO): Upgrading work facilities and infrastructure is necessary to increase efficiency.

Utilizing technological advancements can improve operations and support the agency's functions. Service Quality Improvement (WT): To better serve the community, the agency needs to enhance its service quality. Addressing this issue will help meet the public's needs and improve overall satisfaction with the agency's services.

b. Analysis of Critical Success Factors

Implement important success criteria to increase the efficacy and efficiency of the Dairi Regency Revenue Agency in generating regional income, such as: Continually spread the word through a variety of channels about the significance of local taxes. (a) Make the most of the agency's staff to enforce tax compliance with the help of the local government; (b) Improve PAD collection methods and practices; (c) Improve the professionalism and potential data correctness of tax collectors; (d) Follow the guidelines for regional autonomy while using management information systems; (e) Create regional regulations that encourage community tax payments; and (f) Enhance HR professionalism by educating and training employees.

#### D. CONCLUSIONS AND SUGGESTIONS

According to studies, regional revenue enhancement requires three key actions. First, Law No. 28 of 2009 and Dairi Regent Regulation No. 07 of 2022 institutional adjustments are enacted. Second, engaging taxpayers and ensuring proper collection are essential management strategies. Third, revenue-boosting training is undertaken despite budget and staffing constraints. Effective revenue expansion strategies include data collection and investment cooperation. Better organization and more staff help, but concerns remain about inadequate facilities, staff, knowledge, and coordination.

#### REFERENCES

- Ahrens, T., & Ferry, L. (2020). Financial resilience of English local government in the aftermath of COVID-19. *Journal of Public Budgeting, Accounting and Financial Management*. <https://doi.org/10.1108/JPBAFM-07-2020-0098>
- Cvetković, V. M., Tanasić, J., Ocal, A., Kešetović, Ž., Nikolić, N., & Dragašević, A. (2021). Capacity development of local self-governments for disaster risk management. *International Journal of Environmental Research and Public Health*. <https://doi.org/10.3390/ijerph181910406>
- Et. al., N. N. (2021). Intensification and Extensification of Entertainment Taxes to Increase Own-Source Revenue (PAD) in Makassar City. *Turkish Journal of Computer and Mathematics Education (TURCOMAT)*. <https://doi.org/10.17762/turcomat.v12i11.5874>
- Ginting, W. O., & Nur, S. H. (2022). Tourism Development Strategy In Dairi Regency. *Dia*. <https://doi.org/10.30996/dia.v20i02.6416>
- Hills, R. M. (1998). The Political Economy of Cooperative Federalism: Why State Autonomy Makes Sense and "Dual Sovereignty" Doesn't. *Michigan Law Review*. <https://doi.org/10.2307/1290080>
- Ismail, R., Berutu, L., Rani, Z., & Zulkarnain, I. (2018). Indonesia's new horizon for sustainable forestry: Ulayat right division based on local wisdom in Batak Pakpak ethnicity. *International Journal of Agricultural and Statistical Sciences*.
- Jouste, M., Nalukwago, M. I., & Waiswa, R. (2021). Do tax administrative interventions targeted at small businesses improve tax compliance and revenue collection? Evidence from Ugandan administrative tax data. UNU-WIDER. <https://doi.org/10.35188/UNU-WIDER/2021/930-9>
- Mazdalifah, M., Moulita, M., & Savitri, N. (2024). Media literacy in enhancing women's participation towards Sustainable Development Goals in Indonesian plantation

- communities. *WSEAS Transactions on Environment and Development*, 20, 116–126.
- Morrow, A., Chan, P., Tiernan, G., Steinberg, J., Debono, D., Wolfenden, L., Tucker, K. M., Hogden, E., & Taylor, N. (2022). Building capacity from within: Qualitative evaluation of a training program aimed at upskilling healthcare workers in delivering an evidence-based implementation approach. *Translational Behavioral Medicine*. <https://doi.org/10.1093/tbm/ibab094>
- Natow, R. S. (2020). The use of triangulation in qualitative studies employing elite interviews. *Qualitative Research*. <https://doi.org/10.1177/1468794119830077>
- Puyt, R. W., Lie, F. B., & Madsen, D. Ø. (2024). From SOFT approach to SWOT analysis: A historical reconstruction. *Journal of Management History*. <https://doi.org/10.1108/JMH-09-2023-0031>
- Rosid, A., & Romadhaniah. (2023). Assessing the Effectiveness of Law Enforcement on Improving Tax Compliance in Indonesia: An Empirical Investigation. *Bulletin of Indonesian Economic Studies*. <https://doi.org/10.1080/00074918.2021.1970110>
- Seymour, F. J., Aurora, L., & Arif, J. (2020). The Jurisdictional Approach in Indonesia: Incentives, Actions, and Facilitating Connections. *Frontiers in Forests and Global Change*. <https://doi.org/10.3389/ffgc.2020.503326>
- Siregar, O. M., Ridho, H., Nasution, M. A., & Nasution, M. D. T. P. (2024). Knowledge dynamics and absorptive capacity: Shaping innovation performance in the service business of small and medium-sized enterprises. *International Review of Management and Marketing*, 14((5)), 53–66.
- Solaymani, S. (2021). A review on energy and renewable energy policies in iran. In *Sustainability (Switzerland)*. <https://doi.org/10.3390/su13137328>
- Talitha, T., Firman, T., & Hudalah, D. (2020). Welcoming two decades of decentralization in Indonesia: a regional development perspective. *Territory, Politics, Governance*. <https://doi.org/10.1080/21622671.2019.1601595>
- Trimurni, F., & Dayana, D. (2018). The participation of community-based organizations on waste management in the city municipal of Medan. *IOP Conference Series: Earth and Environmental Science*. <https://doi.org/10.1088/1755-1315/126/1/012141>
- von Luebke, C. (2009). The political economy of local governance: Findings from an Indonesian field study. *Bulletin of Indonesian Economic Studies*. <https://doi.org/10.1080/00074910903040310>
- Zhang, J., Li, L., Yu, T., Gu, J., & Wen, H. (2021). Land assets, urban investment bonds, and local governments' debt risk, china. *International Journal of Strategic Property Management*. <https://doi.org/10.3846/ijspm.2020.13834>