

UDC 332

THE EFFECTIVENESS OF ALOR REGENCY'S LOCAL OWN-SOURCE REVENUE MANAGEMENT BEFORE AND DURING THE COVID-19 PANDEMIC: A CASE STUDY FOR FISCAL YEARS 2017, 2018 AND 2020

Boling Ais Formes*, Djaha Ajis Salim Adang, Libing Z. Sony

Master's Program in Administrative Sciences, Faculty of Social and Political Sciences,
University of Nusa Cendana Kupang, East Nusa Tenggara, Indonesia

*E-mail: aisboling04@gmail.com

ABSTRACT

This research aimed to describe and analyze: the effectiveness of local own-source revenue (LOR) management during the Covid-19 pandemic (the fiscal year 2020) and before the pandemic (2017 and 2018 fiscal years). This research used a case study qualitative approach with the targeted research location of the Regional Revenue Service of Alor Regency, East Nusa Tenggara Province. This research focuses on the effectiveness of LOR management in the 2017, 2018, and 2020 fiscal years. Informants were determined using a purposive sampling technique (using specific considerations). Derived from primary and secondary data sources, data in this research were collected using interviews, documentation, and observation techniques. The data were then analyzed using effectiveness, contribution, and causal-impact factor analysis. They were further validated through (1) checking of data representativeness, 2) triangulation, 3) weighting of LOR, and 4) making contradictions or comparisons. The research results showed that (1) the percentage of effectiveness of LOR management during the Covid-19 pandemic (the 2020 fiscal year) is higher (very effective and effective) than that before the pandemic, especially during the 2017 and 2018 fiscal year (mostly quite effective, less effective and ineffective). In addition, (2) the determinant of LOR management effectiveness during the Covid-19 pandemic (the 2020 fiscal year) is Alor Regency's LOR target. The average of each LOR in that year was below the 2017 and 2018 targets. Furthermore, other determinants, including data input errors, data updating, administrative improvements, socialization, support for facilities and infrastructure, Sales Value of Tax Objects (*NJOP*), cooperation with third parties, motivation with rewards and sanctions, proof of payment as a prerequisite for obtaining government services, budget support, quantity and quality of human resources, taxpayer awareness, taxpayers participation (active and passive), also influenced the management effectiveness of each LOR source.

KEY WORDS

Effectiveness, revenue management, local own-source revenue, pandemic, COVID-19, corona.

The Covid-19 pandemic has shifted the order of people's lives, of which the aspects are changing rapidly. The Covid-19 pandemic is realized to be the most influencing factor of the low Local Own-Source Revenue (hereinafter referred to as LOR) at the post of retribution, tax, and other sectors' revenues. The impact of the Covid-19 pandemic on LOR performance was experienced by all regions in Indonesia, including Alor Regency. The data of LOR development in Alor Regency for the last 5 (five) years is depicted in Figure 1.

The above data suggest that the LOR of Alor Regency from the fiscal year 2016 to 2020 fluctuated. The realization of Alor Regency's LOR in the 2017 fiscal year reached 118.4% (the largest achievement), then decreased very drastically in 2018 to 59.11% and increased again in 2019 by 76%. However, the realization of Alor Regency's LOR in the 2020 fiscal year remained to increase to 98.36%, although it was the beginning of the Covid-19 pandemic that resulted in several LOR sources weakening. This condition shows the pattern of Alor Regency's LOR management by Alor Regency Government through the Organization of Local Officials (*Organisasi Perangkat Daerah – OPD*) in the 2020 fiscal year

with the “OPSIR” (*Operasi Sisir*) Program had a significant effect. It has been able to actively move the real sector contributing to LOR with the involvement of all stakeholders to participate in the LOR management during the Covid-19 pandemic. This research took the years before and during the pandemic, namely years with extreme points in LOR realization. 2017, 2018 and 2020 were the years with extreme achievement points (red graph). In detail, the LOR realization was 118.4% in 2017 and significantly decreased to 59.11%. 2019 did not see many fluctuations; the percentage increased again to 93.36% in 2020 during the Covid-19 pandemic. Since this research was a case study, the cases taken were those occurring in the years with the extreme point.

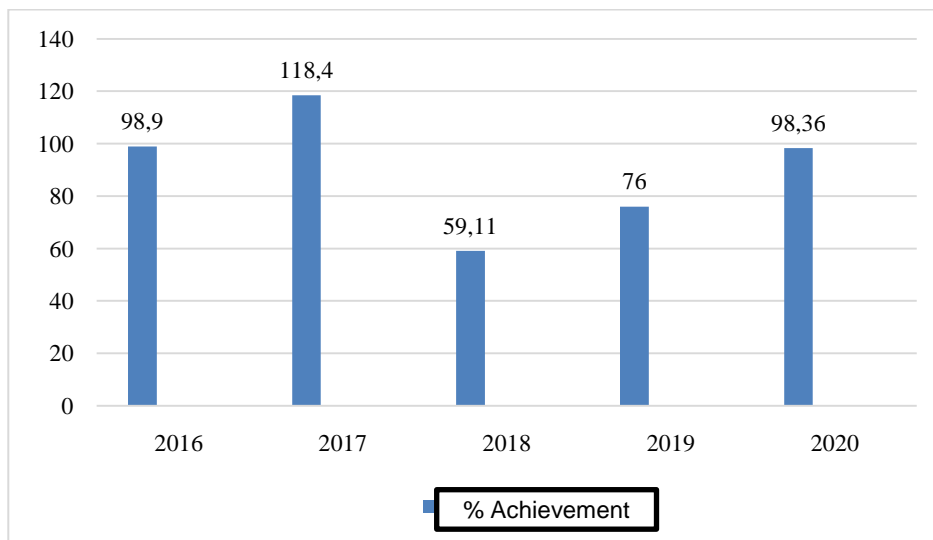


Figure 1 – Percentage of Alor Regency's LOR Achievement during 2016-2020

With the ongoing pandemic, local governments must encourage all sectors to develop appropriate and innovative intensification and extensification strategies following applicable regulations and community conditions. It is an anticipatory step to reduce the impact of the pandemic on and optimize the LOR of each region. According to Kustiawan (in Rahmi, 2013), the intensification includes institutional aspects, management aspects, and personnel aspects; the implementation of which is through adjusting or improving institutional or organizational aspects of LOR management, adjusting or improving management aspects (both administrative and operational), increasing supervision and control, and increasing the quality of human resources or local revenue management officials. The latter can be done by involving the officials in local financial courses, education and training programs related to local financial management, and intensifying extension activities to the community to raise public awareness of paying taxes and retributions.

Furthermore, this research aimed to describe and analyze the effectiveness of LOR management during the Covid-19 pandemic (the 2020 fiscal year) and before the pandemic (the 2017 and 2018 fiscal years).

LITERATURE REVIEW

Effectiveness Theory

Effectiveness is the level of success in achieving goals. Soekanto (1986) suggests that effectiveness comes from the word '*effektivies*', which means the degree to which a group achieves its goals. In Handyaningrat (1985), Emerson mentions that effectiveness is a measurement of achieving predetermined goals or objectives. Meanwhile, the Audit Commission (Mahsun, 2006) states that effectiveness is to provide the right services to enable the authorities to implement policies and objectives. Likewise, Peter Drucker (Handoko, 2001) defines effectiveness as an act of doing the right things. Mahsun (2006)

explains that effectiveness (results of use) is the relationship between output and goals or objectives to be achieved. The definition of effectiveness is related to achieving policy goals or targets. Operational policies are said to be effective if the activity process reaches the final policy goals (spending wisely). Dunn (2020) further reveals that effectiveness relates to whether an alternative achieves the expected result (effect) or the goal of taking action.

Effectiveness, closely related to technical rationality, is always measured by the units of production, services or monetary values. Furthermore, Dunn (2000) adds that effectiveness is an evaluation criterion questioning whether the desired results have been achieved. Meanwhile, according to Steers (1985), effectiveness is classified into 3 (three) models, namely (1) goal optimization, (2) system perspective, and (3) emphasis on behavior. Using the goal optimization model on organizational effectiveness enables the recognition that different organizations pursue different goals. Thus, the relative success or failure of a particular organization must be determined by comparing the results with the organization's goals.

Meanwhile, the system perspective model focuses on the relationship between different components inside and outside the organization. These components together affect the organization's success or failure. So, this model focuses its attention on the social relations of environmental organizations. On the other side, related to emphasizing the behavior model, organization effectiveness is seen from the relationship between what the organization wants. The possibility of increasing the organization's overall performance is substantial if both are relatively homogenous. Based on the above definitions of effectiveness, it can be concluded that effectiveness is the achievement of predetermined goals, objectives or results of activities. In other words, effectiveness is a comparison between the results and the predetermined goals.

Determinants of Effectiveness

Based on the approaches of organizational effectiveness explained above, the determinants of organizational effectiveness, according to Steers (in Siagian, 2002), are as follows: (a) clear goals, (b) organizational structures, (c) community support or participation, and (d) adopted system values.

Organizations will run well if they have explicit goals. A clear goal will motivate the organization members to carry out their duties and responsibilities. Organizations aim to provide directions by describing future conditions to be pursued and realized by the organization. Structures can influence effectiveness since they can run the organization. A good structure is rich in function but simple.

Furthermore, it will be challenging to create an effective organization without the support and participation and the existing value system. Therefore, factors influencing organizations must get serious attention to realize effectiveness. For example, Steers (1985) mentions 4 (four) determinants of effectiveness, namely (1) Organizational Characteristics, (2) Employee Characteristics, (3) Job Performance, (4) Environmental Characteristics, and (5) Management Policies and Practices.

As Steers (1985) proposed, the four determinants of effectiveness are further described as follows. (1) Organizational characteristics are relatively fixed relationships, such as the composition of human resources within the organization. A structure is a unique way of placing humans to create an organization. In the structure, humans are placed as part of a relatively fixed relationship that will determine the pattern of interaction and behavior oriented to the task. (2) Environmental characteristics include two aspects. The first aspect is the external environment, namely the environment outside the organization's boundaries, which highly influences the organization, especially in making decisions and taking action. The second aspect is the internal environment, better known as organizational climate, namely the overall environment within the organization's environment. (3) Employee characteristics are the most powerful determinant of effectiveness. Many differences will be found within each individual, but individual awareness of differences is essential to achieving organizational goals. Therefore, an organization must integrate individual goals with organizational goals. (4) Management

characteristics are strategies and work mechanisms designed to condition all things in the organization to achieve effectiveness. Management policies and practices are tools for leaders to direct every activity to achieve the organization.

Effectiveness Measurement

Effectiveness is a measure of success in achieving predetermined goals. Effectiveness shows success in terms of whether or not the predetermined indicators are achieved, namely the right amount, time, target, price, administration and quality. The closer the activity to the indicator, the higher the effectiveness. To increase effectiveness at the target household (*Rumah Tangga Sasaran – RTS*) level, the government implements a good management system, time management and administration. Effectiveness is achieved when the calculated percentage reaches a minimum of 1% and a maximum of 100% (Sugiyono, 2010).

Mahmudi (2010) states that effectiveness is the relationship between output and goals or objectives to be achieved. It is said to be effective if the work process reaches the final goals and objectives of the policy. The greater the output produced against the specified goals and objectives, the more effective the work process of an organizational unit. The percentages of LOR management effectiveness can be categorized as follows: (1) Very Effective with the achieved percentage above 100%, (2) Effective with the achieved percentage between 90% - 100%, (3) Quite Effective with the achieved percentage between 80% - 90%, (4) Less Effective with the achieved percentage between 60% - 80%, and (5) Ineffective with the achieved percentage below 60%.

METHODS OF RESEARCH

The targeted research location was the Local Revenue Office of Alor Regency, East Nusa Tenggara. This research focuses on LOR's effectiveness by the sources in the 2017, 2018 and 2020 fiscal years. Determined using a purposive sampling technique with specific considerations, the informants in this research included (1) Head of Local Revenue Office, (2) Head of Transportation Office, (3) Head of Health Office, (4) Director of Kalabahi Hospital, (5) Head of Food Office, (6) Head of One Stop Investment Office, (7) Head of Program and Evaluation Sub-Division of Local Revenue Office, (8) Head of Program and Evaluation Sub-Division of Transportation Office, (9) Head of Program and Evaluation Sub-Division of Health Office, (10) Head of Program and Evaluation Sub-Division of Kalabahi Hospital, (11) Head of Program and Evaluation Sub-Division of Food Office, and (12) Head of Program and Evaluation Sub-Division of One-Stop Investment Office. Derived from primary and secondary sources, data in this research were collected using interviews, documentation, and observation techniques. The data were then analyzed using effectiveness contribution and causal-impact factor analysis. They were further validated through (1) checking of data representativeness, 2) triangulation, 3) weighting of LOR, and 4) making contradictions/ comparisons.

RESULTS AND DISCUSSION

Effectiveness of LOR by Sources in 2017, 2018, 2020

The percentages of all Local Own-Source Revenues (LOR) realized in 2017, 2018, and 2020 based on the types of revenue sources can be seen in Table 1.

LOR sources in fiscal years 2017, 2018, and 2020 are classified as Very Effective if the realization percentage is above 100%. The very effective realized LOR sources can be seen in Table 2.

LOR sources in the 2017, 2018, and 2020 fiscal years are classified as Effective if the realization percentage is between 90% - 100%. Therefore, the effective realized LOR sources can be seen in Table 3.

Table 1 – Percentage of Realized LOR by Sources in 2017, 2018, and 2020

PAD Sources	Percentage of Realization		
	2017	2018	2020
A. Local Taxes	77.30	108.67	114
1. Hotel Tax	228.51	163.55	180.38
2. Restaurant Tax	162.61	144.83	167.83
3. Entertainment Tax	-	211.25	1432.98
4. Advertising Tax	127.36	72.99	164.76
5. Street Lighting Tax	129.89	143.98	114.12
6. Tax on Extraction of Excavated Materials Type C	40.96	90.26	80.60
7. Groundwater Tax	-	-	129.73
8. Land and Building Tax	109.66	106.13	140.73
9. Excise on Acquisition of Rights on Land and Building	122.69	112.36	152.22
B. Local Retributions	77.72	72.29	99.96
B.1. Public Services Retributions	86	74.59	99.26
10. Retribution from Health/ Medical Services - the Community Health Center (<i>Puskesmas</i>)	10.02	17.80	2.51
11. Retribution from Health/ Medical Services – Local Hospital	99.01	76.86	99.05
12. Retribution from Health/ Medical Services – Other Similar Health/ Medical Services Owned and/or Managed by the Local Government	33.63	93.99	191.92
13. Retribution from Garbage Disposal/ Cleanliness Services	124.89	100.22	96.49
14. Retribution from Parking Services at Sides of Public Roads	31.75	9.25	153.33
15. Retribution from Market Services	49.70	44.42	126.51
16. Retribution from Compensation of Printing Maps – the Provision of Technical Maps	-	-	-
17. Space Utilization for Telecommunication Towers - LRA	-	33.13	111.47
18. Retribution from Motor Vehicle Testing	73.29	47.85	108.98
19. Retribution from Calibration and Re-calibration Services	-	38.10	101.4
B.2. Business Services Retribution	39.11	52.57	126.29
20. Retribution from the Utilization of Local Assets – Land and Building	128.67	115.05	161.86
21. Retribution from the Utilization of Local Assets – Laboratories	-	-	-
22. Retribution from the Utilization of Local Assets – Motor Vehicles	78.44	64.42	120.64
23. Retribution from Terminals – Parking Spaces from Passenger Vehicles and Public Buses	72.89	84.67	85.17
24. Retribution from Terminals – Other Facilities in the Terminal Environment	-	-	97.14
25. Retribution from Parking Spaces	87.85	96.40	30.15
26. Retribution from Hotels/ Lodgings/ Villas	-	-	64.79
27. Retribution from Port Services	-	-	-
28. Retribution from Recreational Places	174.04	148.99	254.25
29. Retribution from Tourism Places	116.5	112.77	114.13
30. Retribution from Sports Centers	92.85	100	101.66
31. Retribution from Sale of Products of Local Businesses	64.10	92.60	123.67
32. Retribution from Labelling Alcoholic Beverages	-	-	-
33. Retribution from the Utilization of Local Assets – Heavy Equipment	16.41	13.03	126.8
34. Retribution from the Utilization of Local Assets – Agricultural Equipment	-	253.17	133.18
35. Retribution from the Utilization of Local Assets – Lodging Rental	-	-	-
B.3. Certain Permits Retributions	31.99	64.91	109.81
36. Retribution from Building Construction Permit	29.17	88.73	103.76
37. Retribution from Permits from Venues Selling Alcoholic Beverages	190	157.14	2.350
38. Retribution from Routing Permits to Private Persons	44.27	9.31	141.06
39. Retribution from Fishery Business Permit to Private Persons	14.5	5.59	-
40. Retribution from Fishery Business Permit to Entities	-	-	-
41. Retribution from Disturbance Permits	50.56	-	-
C. Results of Separated Local Wealth Management	71.16	67.68	100
42. Profit Sharing on Equity Participation in Local-Owned Enterprises (BUMD)	-	-	-
43. Profit Sharing on Equity Participation in State-Owned Enterprises (BUMN)	71.16	-	100
D. Other lawful LOR	184.68	44.30	86.04
44. Other lawful LOR	184.68	44.30	86.04

Data Source: Research Results, November 2021.

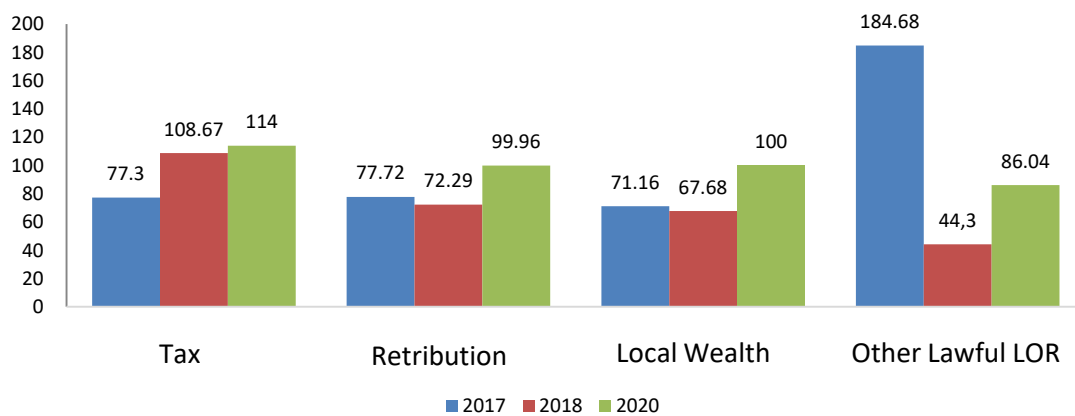


Figure 2 – Percentages of Realized LOR by LOR Sources

Table 2 – Very Effective Realized LOR Sources

LOR Sources	Year	% Realization
I. Local Taxes		
1. Hotel Tax	2017	228.51
	2018	163.55
	2020	180.38
2. Restaurant Tax	2017	162.61
	2018	144.83
	2010	167.83
3. Entertainment Tax	2018	211.25
	2020	143.29
4. Advertising Tax	2017	127.36
	2020	164.76
5. Street Lighting Tax	2017	129.89
	2018	143.98
	2020	114.12
6. Groundwater Tax	2020	129.73
7. Land and Building Tax	2017	109.66
	2018	106.13
	2020	140.73
8. Excise on Acquirement of Rights on Land and Building	2017	122.69
	2018	112.36
	2020	152.2
II Local Retributions		
Public Services Retributions		
9. Retribution from Health/ Medical Services – Other Similar Health/ Medical Services Owned and/or Managed by the Local Government	2020	191.92
10. Retribution from Garbage Disposal/ Cleanliness Services	2017	124.89
	2018	100.22
11. Retribution from Parking Services at Sides of Public Roads	2020	153.33
12. Retribution from Market Services	2020	126.51
13. Retribution from Market Services	2020	111.47
14. Retribution from Motor Vehicle Testing	2020	108.98
15. Retribution from Calibration and Re-calibration Services	2020	101.4
Business Services Retribution		
16. Retribution from the Utilization of Local Assets – Land and Building	2017	128.67
	2018	115.05
	2020	161.86
17. Retribution from the Utilization of Local Assets – Motor Vehicles	2020	120.64
18. Retribution from Recreational Places	2017	174.04
	2018	148.99
	2020	254.25
19. Retribution from Tourism Places	2017	116.5
	2018	112.77
	2020	114.13
20. Retribution from Sports Centers	2020	101.66
21. Retribution from Sale of Products of Local Businesses	2020	123.67
22. Retribution from the Utilization of Local Assets – Heavy Equipment	2020	126.8
23. Retribution from the Utilization of Local Assets – Agricultural Equipment	2018	253.17
	2020	133.18
Certain Permits Retributions		
24. Retribution from Building Construction Permit	2020	109.81
25. Retribution from Permits from Venues Selling Alcoholic Beverages	2018	157.14
	2020	2.350
26. Retribution from Routing Permits to Private Persons	2020	141.06
Other lawful LOR		
27. Other lawful LOR	2017	184.68
28. Taxes in 2018		108.67
29. Taxes in 2020		114.29
30. Other lawful LOR in 2017		184.68

Data Source: Research Results, November 2021.

Table 3 – Effective Realized LOR Sources

LOR Sources	Year	% Realization
Local Taxes		
1. Tax on Extraction of Excavated Materials Type C	2018	90.26
2. Local Retributions	2017	99.01
3. Retribution from Health/ Medical Services – Local Hospital	2020	99.05
4. Retribution from Health/ Medical Services – Other Similar Health/ Medical Services Owned and/or Managed by the Local Government	2018	93.99
5. Retribution from Garbage Disposal/ Cleanliness Services	2020	96.49
Business Services Retributions		
6. Retribution from Terminals – Other Facilities in the Terminal Environment	2020	97.14
7. Retribution from Parking Spaces	2018	96.40
8. Retribution from Sports Centers	2017	92.85
9. Retribution from Sale of Products of Local Businesses	2018	92.60
Results of Separated Local Wealth Management		
10. Profit Sharing on Equity Participation in State-Owned Enterprises (BUMN)	2020	100
11. Retributions in 2020		99.96
12. Local Wealth		100

Data Source: Research Results, November 2021.

The above LOR sources (Very Effective and Effective) experienced an increase due to several factors, including: (1) the lower set target of LOR than the potential revenue available; (2) the error input of School Operational Assistance (*BOS*) fund revenue into LOR; (3) the existence of revenue sources that were just collected in July 2020 (year-end tax) based on local tax data, both Rural and Urban Land and Building Taxes (*PBB-P2*), Excise on Acquisition of Right on Land and Building (*BPHTB*), and other local taxes validated and updated by the Organization of Local Officials (*OPD*) in charge; (4) the improvement of the administration of local tax (collection) revenue management, starting from registration, data collection, tax billing and collection, deposit/ payment, reporting and monitoring although it is limited; (5) the increase in socialization activities and the number of tax collecting officers to villages/ sub-districts despite limited facilities and costs; (6) the preparation, stipulation and implementation related to collection procedures for several types of local taxes; (7) digital *PBB-P2* mapping in 2019 and 2020 and the increase in Sales Value of Taxable Object (*NJOP*) of *PBB-P2* in all sub-districts; and (8) the optimization of local tax collection through cooperation with third parties.

In addition, there were special methods (local or local approach) used in achieving the 2020 LOR target, namely (1) meeting with taxpayers directly to the location (from village to village) whose tax revenue realization was low without a budget/ cost (facilitated by the village community) and whose tax revenue realization was presented by the collector or directly deposited by each Neighborhood Unit (*RT*) or Community Unit (*RW*); (2) award certificates by the regent to heads of villages and urban villages (*Lurah*); (3) several heads of districts (*Camat*), heads of villages or urban villages (*Lurah*) applied the requirements for managing various government and community administrations if their taxes have been paid; (4) there were a number of efforts carried out by the *OPD* in charge of LOR sources, namely (a) determining a number of regulations as the basis of local tax collection so that local taxes can always exceed the target; and (b) continuously conducting socialization or meetings with taxpayers, both per type of tax and from village to village so that groundwater tax can be collected and other taxes will continue to be collected in an orderly manner. Besides, the realization was significant because (1) the other lawful LOR experienced an increase, and (2) there is revenue from several local taxes and retributions, especially on retributions for local government land and official residences.

Quite Effective Realized LOR Sources

LOR sources in Fiscal Years 2017, 2018, and 2020 are classified as Quite Effective if the realization percentage is between 80% - 90%. The quite effective realized LOR sources could be seen in the following table:

Table 4 – Quite Effective Realized LOR Sources

LOR Sources	Year	% Realization
1. Business Service Retributions		
2. Retribution from Terminals – Parking Spaces from Passenger Vehicles and Public Buses	2018	84.67
3. Retribution from Terminals – Parking Spaces from Passenger Vehicles and Public Buses	2020	85.17
4. Retribution from Parking Spaces	2017	87.85
5. Certain Permits Retributions		
6. Retribution from Building Construction Permit	2018	88.73
Other lawful LOR		
7. Other lawful LOR	2020	86.04
8. Other lawful LOR in 2020		86.04

Data Source: Research Results, November 2021.

Less Effective Realized LOR Sources

LOR sources in the 2017, 2018, and 2020 fiscal years are classified as Less Effective if the realization percentage is between 60% - 80%. The quite effective realized LOR sources could be seen in the following table:

Table 5 – Less Effective Realized LOR Sources

LOR Sources	Year	% Realization
1. Advertising Tax	2018	72.99
2. Retribution from Health/ Medical Services – Local Hospital	2018	76.86
3. Retribution from Motor Vehicle Testing	2017	73.29
4. Retribution from the Utilization of Local Assets – Motor Vehicles	2017	78.44
5. Retribution from the Utilization of Local Assets – Motor Vehicles	2018	64.42
6. Retribution from Terminals – Parking Spaces from Passenger Vehicles and Public Buses	2017	72.89
7. Retribution from Sale of Products of Local Businesses	2017	64.10
8. Profit Sharing on Equity Participation in State Owned Enterprises (BUMN)	2017	71.16
9. Taxes in 2017		77.30
10. Retributions in 2017		77.72
11. Retributions in 2018		72.29
12. Local Wealth in 2017		71.16
13. Local Wealth in 2018		67.69

Data Source: Research Result, November 2021.

Table 6 – Ineffective Realized LOR Sources

No	LOR Sources	Year	Target (Rp)	% Realization
1	Tax on Extraction of Excavated Materials Type C	2017	7,000,000,000	40.96
2	Retribution from Health/ Medical Services - the Community Health Center (Puskesmas)	2017	1,000,000,000	10.02
3	Tax on Extraction of Excavated Materials Type C	2018	1,035,507,965	17.80
4	Retribution from Health/ Medical Services - the Community Health Center (Puskesmas)	2020	630,460,000	2.51
5	Retribution from Health/ Medical Services – Other Similar Health/ Medical Services Owned and/or Managed by the Local Government	2017	2,700,000,000	33.63
6	Retribution from Parking Services at Sides of Public Roads	2017	80,000,000	31.75
7	Retribution from Parking Services at Sides of Public Roads	2018	80,000,000	9.25
8	Retribution from Market Services	2017	450,000,000	49.70
9	Retribution from Market Services	2018	450,000,000	44.42
10	Space Utilization from Telecommunication Towers - LRA	2018	100,000,000	33.13
11	Retribution from Motor Vehicle Testing	2018	130,000,000	47.85
12	Retribution from Calibration and Re-calibration Services	2018	10,000,000	38.10
13	Retribution from Parking Spaces	2020	20,000,000	30.15
14	Retribution from Routing Permits to Private Persons	2017	50,000,000	44.27
15	Retribution from Routing Permits to Private Persons	2018	50,000,000	9.31
16	Retribution from Fishery Business Permit to Entities	2017	10,000,000	14.5
17	Retribution from Fishery Business Permit to Entities	2018	11,000,000	5.59
18	Retribution from Disturbance Permits	2017	80,000,000	50.56
19	Other lawful LOR	2018	62,829,742,802	44.30

Data Source: Research Results, November 2021.

Ineffective Realized LOR Sources

LOR sources in the 2017, 2018, and 2020 fiscal years are classified as Ineffective if the realization percentage is below 60%. The ineffective realized LOR sources can be seen in table 6.

If the effectiveness of LOR management by LOR sources in the 2017, 2018, and 2020 fiscal years above are classified by years, the percentage of effectiveness according to the classification (Very Effective, Effective, Quite Effective, Less Effective and Ineffective) can be presented in the following table.

Table 7 – Classification of LOR Management Effectiveness in 2017, 2018, and 2020

Classification	Effectiveness Per Year		
	2017	2018	2020
Very Effective	27.91	30.23	58.14
Effective	4.65	9.30	13.95
Quite Effective	2.33	4.65	6.98
Less Effective	18.61	9.30	0.0
Ineffective	18.61	23.26	4.65

Data Source: Research Results, December 2021.

The data in the table above show several tendencies, covering:

1. Despite the Covid-19 pandemic making all parties worried about the realization percentage (effectiveness) of managing LOR sources, it turned out that the Very Effective classified LOR percentage in 2020 (58.14%) tended to be higher than that in 2017 (27.91%) and 2018 (30.23%), which were pre-Covid-19 pandemic years. The Covid-19 pandemic did not influence the effectiveness of managing LOR sources in 2020.
2. The management of LOR sources in 2020 was most in the Very Effective (58.14%) and Effective (13.95%) classifications. Meanwhile, in 2017 and 2018, it was most widely distributed in the Quite Effective, Less Effective, and Ineffective classifications. The classification of the management of LOR sources (Very Effective, Effective, Quite Effective, Less Effective and Ineffective) was determined by several determinants, covering (1) the set target less than or exceeding the potential of the relevant LOR sources; (2) less support of facilities and budgets; (3) inadequate HR managing local tax collection, both in terms of quality and quantity, including the presence of bailiffs, accountants, examiners, appraisers and supervisors; (4) the lack of public awareness in fulfilling their obligations; (5) inadequate HR of tax officers: limited or transferred functional officers, data collecting officers, appraisers, accountants or assessors or auditors or bailiffs (the Regent's Degree has been amended); (6) the reduced data transfer from Small Tax Offices (*KKP Pratama*) to Local Revenue Agency (*Bapenda*); (7) the unfulfilled obligation of old heads of villages to deposit taxes to the new ones; (8) Taxpayers living outside the regency; (9) large tax objects; (10) too many elements involved, causing significant operational costs; (11) the limited number of field tax collectors; (12) the shifted collecting system, which was from online to offline (transferred to heads of village government affairs); (13) many people or taxpayers waiting from home (passive); (14) the payment only made to 1 (one) bank, namely Bank NTT; (15) the non-optimal retributions managed by the Organization of Local Officials; (16) the unfulfilled obligation of those utilizing local wealth (local services); (17) the absence of binding legal force; (18) the limited supporting facilities and infrastructure (motorcycles). The 18 inhibiting factors were stated by the Head of Local Revenue Agency (*Bapenda*), the Head of Land and Building Tax Division, and the Head of Transportation Office (October 2021 in their respective offices).

Several determinants of LOR management effectiveness had varying percentages. The general tendency causing an increase in the percentage of LOR management effectiveness in 2020 (the first year of the Covid-19 pandemic) was to lower the revenue target for each LOR source. Decreasing the target below the available potential caused the

effectiveness percentage to exceed 100%, so it was classified as Very Effective. Besides, other determinants mentioned above also had an effect with varying percentages. All the determinants identified through the results of this research can be visualized in a research framework. The results of identifying the determinants of LOR management effectiveness are shown in the figure below:

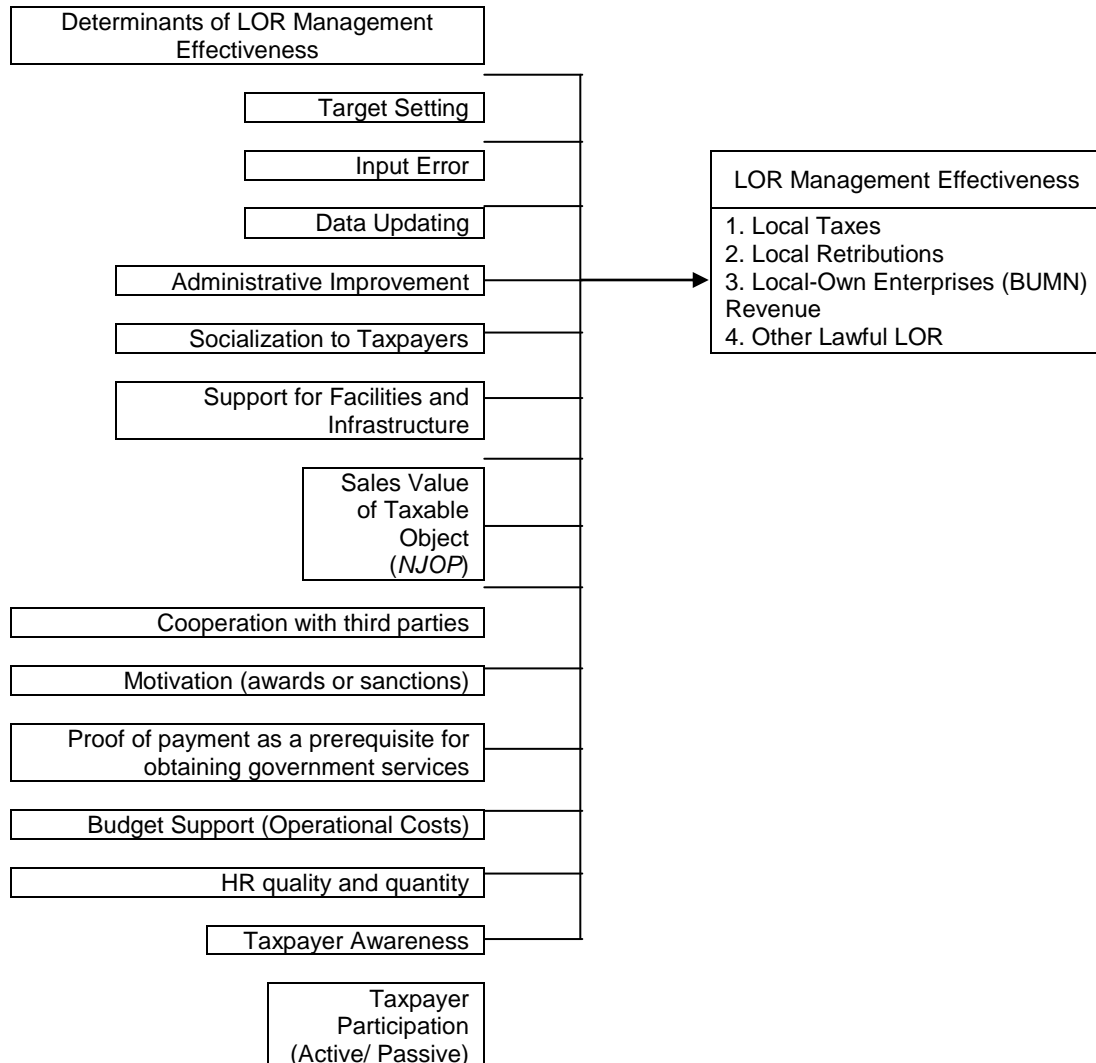


Figure 3 – Framework of Research Results

The target setting for each LOR source, data input errors, data updating, administrative improvements, socialization, support for facilities and infrastructure, *NJOP* value, cooperation with third parties, motivation by applying rewards and sanctions, and proof of payment as a prerequisite for obtaining government services, budget support, HR quality and quantity, taxpayer awareness, taxpayer participation (active or passive) determine the percentage of effectiveness of each LOR source management.

CONCLUSION

Based on the explanation above, we can draw the following conclusions:

1. The percentage of LOR management effectiveness during the Covid-19 pandemic (the 2020 fiscal year) is higher (Very Effective and Effective Classified LOR) than that before the pandemic, especially during the 2017 and 2018 fiscal years (mostly Quite Effective, Less Effective and Ineffective Classified LOR).

2. The determinant of LOR management effectiveness during the Covid-19 pandemic (the 2020 fiscal year) is the target for each LOR source, on average, below the 2017 and 2018 targets. Furthermore, other determinants, including data input errors, data updating, administrative improvements, socialization, support for facilities and infrastructure, Sales Value of Tax Objects (*NJOP*), cooperation with third parties, motivation with rewards and sanctions, proof of payment as a prerequisite for obtaining government services, budget support, quantity and quality of Human Resources, taxpayer awareness, taxpayers participation (active or passive), also influenced the effectiveness percentage of each LOR source management.

Suggestions

Based on the research results concluded above, we propose the following suggestions for managing LOR.

1. The local government should not only prioritize the level of LOR realization, both as a whole and by each source but also need to pay attention to the amount of contribution to the local government budget (*APBD*), showing regional independence. Therefore, it is necessary to avoid fluctuating revenue targets by organizing all determinants of LOR management effectiveness. One of the successes of LOR management can be demonstrated by the success in setting revenue targets which tend to increase linearly, followed by increased LOR realization classified as Very Effective or linearly Effective.
2. To meet the expectation of the first suggestion above, the local government must seriously consider all the determinants of LOR management effectiveness found in this research. Some efforts to be taken are reducing or, if necessary, eliminating data input errors, regularly updating data, continuously improving administration, providing socialization to taxpayers, encouraging the implementation of retributions, improving supporting facilities and infrastructure (both in quantity and quality), reviewing immediately *NJOP* values that are not following current conditions, continuously encouraging cooperation with third parties, providing rewards and strict sanctions as a motivation, gradually abolishing the use of payment proof as a prerequisite for obtaining government services along with the increased public awareness of paying taxes and retributions, proportionally improving budget support, improving HR quantity and quality through education and training, increasing taxpayer awareness through intensification and extensification of socialization, and formulating appropriate sanctions for passive taxpayers. If all the determinants are appropriately considered, the fluctuating LOR management effectiveness can be controlled regularly and increase linearly.

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