

## OPTIMIZING LOCAL RETRIBUTION GOVERNANCE TO ENHANCE REGIONAL REVENUE IN INDONESIA: A SOCIO-LEGAL STUDY

### OTIMIZAÇÃO DA GESTÃO DA TRIBUTAÇÃO LOCAL PARA AUMENTAR A RECEITA REGIONAL NA INDONÉSIA: UM ESTUDO SOCIOJURÍDICO

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#### Abstract

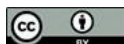
This study examines the governance of local retribution collection in Indonesia, specifically, Singkawang City and its contribution to enhancing regional original revenue (PAD). Using a socio-legal approach, this research combines normative legal analysis with empirical field data obtained through interviews and document studies. The findings reveal that although the local government has implemented various strategies, including public outreach and institutional collaboration, the effectiveness of retribution collection remains constrained by structural and behavioral challenges, particularly during the COVID-19 pandemic. Key obstacles include declining business activity, low public awareness, and administrative inefficiencies. The study argues that optimizing retribution governance requires institutional innovation, digitalization of payment systems, and strengthening legal awareness among taxpayers. This research contributes to the discourse on local fiscal governance and legal effectiveness in decentralized systems.

**Keywords:** Local Retribution. Regional Revenue. Socio-Legal Approach. Fiscal Decentralization.

#### Resumo

*Este estudo examina a governança da cobrança de taxas locais na Indonésia, especificamente na cidade de Singkawang, e sua contribuição para o aumento da receita própria regional (PAD). Utilizando uma abordagem sociojurídica, esta pesquisa combina análise jurídica normativa com dados empíricos de campo obtidos por meio de entrevistas e estudos documentais. Os resultados revelam que, embora o governo local tenha implementado várias estratégias, incluindo divulgação pública e colaboração institucional, a eficácia da cobrança de taxas continua limitada por desafios estruturais e comportamentais, particularmente durante a pandemia da COVID-19. Os principais obstáculos incluem o declínio da atividade comercial, a baixa conscientização do público e ineficiências administrativas. O estudo argumenta que a otimização da governança das taxas locais requer inovação institucional, digitalização dos sistemas de pagamento e fortalecimento da conscientização jurídica entre os contribuintes. Esta pesquisa contribui para o discurso sobre governança fiscal local e eficácia jurídica em sistemas descentralizados.*

**Palavras-chave:** *Taxas Locais. Receita Regional. Abordagem Sociojurídica. Descentralização Fiscal.*



## 1 INTRODUCTION

Fiscal decentralization has become a central pillar in contemporary public governance, particularly in developing countries seeking to enhance administrative efficiency, accountability, and economic performance (Dagan & Pirlot, 2024). In the Indonesian context, decentralization represents a transformative shift from a highly centralized governance system toward a more distributed model of authority, where local governments are entrusted with significant responsibilities in managing public finance and delivering essential services (Lewis, 2023). Since the implementation of regional autonomy in the early 2000s, subnational governments have assumed a critical role in shaping development outcomes, supported by the expansion of fiscal authority and the delegation of revenue-generating functions (Dewi Hasniati Buton *et al.*, 2022).

Within this framework, local own-source revenue, commonly referred to as regional original revenue or *Pendapatan Asli Daerah* (PAD), constitutes a fundamental indicator of fiscal capacity and regional independence (Pemerintah Indonesia, 2022). The ability of local governments to generate revenue internally is not only a measure of financial sustainability but also reflects the effectiveness of governance, institutional capacity, and public compliance. Recent studies emphasize that strengthening local revenue systems is essential for reducing dependence on intergovernmental transfers and ensuring long-term fiscal resilience (Hidayat & Yulianita, 2025).

Among the various components of local revenue, regional taxes and retributions play a strategic role in supporting fiscal autonomy. Retribution, in particular, represents a unique instrument as it is directly linked to public services provided by local governments, thereby creating a reciprocal relationship between the state and citizens. Empirical evidence indicates that both local taxes and retributions have a significant and positive impact on regional revenue performance, reinforcing their importance in decentralized fiscal systems (Isman *et al.*, 2025). However, despite their potential, the contribution of retributions to overall revenue remains relatively limited in many regions due to structural inefficiencies, weak enforcement, and low levels of public compliance.

The challenges associated with optimizing local retribution are not merely technical but also institutional and behavioral in nature. From an institutional perspective, local governments often face constraints related to administrative capacity, data

management, and coordination across agencies. The complexity of regulatory frameworks and the lack of integrated systems further exacerbate inefficiencies in revenue collection. At the same time, behavioral factors such as taxpayer awareness, trust in government, and perceived fairness of the system significantly influence compliance levels. Recent research on tax compliance in Indonesia highlights that factors such as digitalization, enforcement mechanisms, and socialization efforts play a crucial role in shaping taxpayer behavior across regions.

In addition, the broader economic environment also affects the performance of local revenue systems. Economic shocks, such as the COVID 19 pandemic, have demonstrated the vulnerability of local fiscal structures, particularly those heavily reliant on sectors such as tourism, hospitality, and small businesses (Indrawati *et al.*, 2024). Declines in economic activity directly translate into reduced revenue collection, thereby constraining the fiscal space available for public spending. Contemporary studies confirm that economic disruptions significantly weaken local revenue performance, underscoring the need for adaptive and resilient fiscal strategies at the regional level.

Despite these challenges, recent policy developments indicate a growing emphasis on innovation and reform in local revenue management. The adoption of digital systems, institutional strengthening, and increased public engagement are identified as key drivers of improved revenue performance. For instance, the implementation of digital tax systems and enhanced administrative frameworks has been shown to significantly increase revenue realization in several regions (Mufid & Widyawati, 2025). These developments suggest that optimizing local retribution requires not only regulatory adjustments but also systemic transformation in governance practices.

Nevertheless, existing literature tends to focus predominantly on quantitative assessments of revenue performance, often overlooking the socio-legal dimensions that shape the effectiveness of retribution systems. A purely economic or administrative perspective is insufficient to capture the complex interactions between legal norms, institutional structures, and societal behavior. In this regard, a socio-legal approach offers a more comprehensive analytical framework by integrating normative legal analysis with empirical insights into how laws are implemented and experienced in practice. Such an approach is particularly relevant in the context of local retribution, where legal

compliance is closely intertwined with social attitudes, cultural factors, and governance dynamics.

Furthermore, there remains a significant gap in the literature concerning the micro-level dynamics of retribution governance at the city level. While macro-level studies provide valuable insights into national trends and policy frameworks, they often fail to capture localized challenges and contextual variations that influence revenue performance. Each region possesses unique socio-economic characteristics, institutional arrangements, and governance practices, which necessitate context-specific analysis. Understanding these local dynamics is essential for designing effective and targeted policy interventions.

Singkawang City presents a compelling case for examining these issues. As a growing urban center with diverse economic activities, Singkawang faces both opportunities and challenges in optimizing its local revenue system (Rikky, 2025). The city has undertaken various initiatives to improve retribution collection, including public outreach, institutional coordination, and the expansion of payment channels. However, these efforts have not fully translated into optimal revenue outcomes, indicating the presence of underlying structural and behavioral constraints. The impact of the COVID 19 pandemic further complicates the situation, highlighting the fragility of existing systems and the need for adaptive governance strategies.

This study seeks to address these gaps by providing an in-depth analysis of local retribution governance in Singkawang City using a socio-legal perspective. Specifically, the research aims to examine how retribution policies are implemented, identify the key obstacles affecting their effectiveness, and evaluate the strategies adopted by local authorities to enhance revenue performance. By combining normative legal analysis with empirical data from field research, this study offers a nuanced understanding of the interplay between law, institutions, and society in shaping fiscal outcomes.

The contribution of this research is threefold. *First*, it advances the theoretical discourse on fiscal decentralization by integrating socio-legal insights into the analysis of local revenue systems. *Second*, it provides empirical evidence on the challenges and opportunities of retribution governance at the local level, thereby enriching the existing literature which is often dominated by macro-level perspectives. *Third*, it offers practical

policy recommendations for improving the effectiveness of local revenue collection, with implications for broader governance reform in decentralized systems.

## 2 THEORETICAL FRAMEWORK

Understanding the governance of local retribution within decentralized fiscal systems requires a multidimensional analytical framework that integrates perspectives from fiscal decentralization theory, legal effectiveness, and socio-legal studies. This study adopts a composite theoretical approach to explain how legal norms, institutional arrangements, and societal behavior interact in shaping the performance of local revenue systems.

Fiscal decentralization theory provides the foundational basis for analyzing the role of local governments in revenue generation (Yani, 2013). Classical works, particularly those building on the decentralization theorem, argue that the devolution of fiscal authority enables local governments to allocate resources more efficiently in accordance with local preferences and needs (Siahaan, 2016). Contemporary scholarship further emphasizes that decentralization enhances accountability and governance quality, provided that subnational entities possess adequate fiscal capacity and institutional competence (Mursalin & Irawan, 2025).

In this context, local own-source revenue, including taxes and retributions, constitutes a critical component of fiscal autonomy. According to recent empirical studies, regions with higher levels of internally generated revenue demonstrate greater resilience to external shocks and reduced dependence on intergovernmental transfers. This aligns with the argument that fiscal independence is essential for sustainable development and effective public service delivery.

However, the effectiveness of fiscal decentralization is contingent upon the ability of local governments to mobilize revenue efficiently. Weak administrative systems, limited tax bases, and low compliance levels often undermine the potential benefits of decentralization. As such, optimizing local retribution becomes a key challenge in strengthening fiscal capacity at the regional level.

The concept of legal effectiveness is central to understanding why formal regulations do not always translate into expected outcomes. Legal effectiveness refers to

the extent to which legal norms are implemented and adhered to in practice. From this perspective, the existence of regulations governing retribution collection is insufficient unless supported by enforcement mechanisms, institutional capacity, and public compliance (Suandy, 2000).

Compliance theory offers important insights into the behavioral dimensions of legal effectiveness. Modern approaches to compliance move beyond deterrence-based models and incorporate psychological and sociological factors, such as trust in government, perceived fairness, and social norms. Studies in regulatory compliance highlight that voluntary compliance is often more sustainable than coercive enforcement, particularly in contexts where state capacity is limited (Asshiddiqie, 2004).

In the case of local retribution, taxpayer compliance is influenced by multiple factors. These include the clarity of regulations, the transparency of revenue utilization, and the perceived benefits of public services. When citizens perceive retribution as a fair exchange for services received, compliance levels tend to increase. Conversely, perceptions of inefficiency or corruption can erode trust and reduce willingness to pay.

Thus, improving the effectiveness of retribution systems requires a balanced approach that combines enforcement mechanisms with efforts to enhance public trust and legal awareness.

The socio-legal approach provides a critical lens for examining the gap between law in the books and law in action (Thilly, 1923). Unlike purely doctrinal legal analysis, socio-legal studies emphasize the interaction between legal norms and social realities (Nelken, 2008). This approach recognizes that the implementation of law is shaped by cultural, economic, and institutional contexts.

In the field of public governance, socio-legal analysis is particularly useful for understanding how policies are interpreted and enacted by different actors, including government officials, businesses, and citizens. It allows researchers to identify discrepancies between formal rules and actual practices, as well as the underlying factors that contribute to these discrepancies.

Applied to local retribution, the socio-legal perspective highlights that compliance is not solely a legal issue but also a social phenomenon. Factors such as community norms, informal practices, and levels of legal literacy play a significant role in shaping

taxpayer behavior. Moreover, institutional dynamics, including bureaucratic capacity and inter-agency coordination, influence the effectiveness of policy implementation.

By integrating normative and empirical dimensions, the socio-legal approach enables a more comprehensive understanding of retribution governance, moving beyond formalistic interpretations toward a contextualized analysis of law in practice (Ehrlich, 1936).

Institutional capacity is another critical determinant of local revenue performance. Governance theory emphasizes that effective public administration depends on the ability of institutions to design, implement, and enforce policies. This includes not only technical capacity but also organizational coherence, leadership, and accountability mechanisms.

Recent literature on public sector governance underscores the importance of adaptive institutions that can respond to changing. In the context of local retribution, this involves the ability to adopt new technologies, improve data management systems, and enhance service delivery mechanisms. Digitalization, in particular, has emerged as a key driver of improved revenue collection, enabling greater efficiency, transparency, and accessibility (Mufid & Widyawati, 2025).

However, institutional challenges remain prevalent in many local governments, including fragmented systems, limited human resources, and weak coordination. These issues can lead to inefficiencies in revenue collection and reduce the overall effectiveness of fiscal policies.

Based on the theoretical perspectives outlined above, this study proposes an integrative framework for analyzing local retribution governance. The framework is built on three interrelated dimensions:

*First*, the legal dimension, which focuses on the regulatory framework and its enforcement. This includes the clarity of legal norms, the effectiveness of sanctions, and the consistency of implementation.

*Second*, the institutional dimension, which examines the capacity of local governments to manage revenue systems. This encompasses administrative structures, technological capabilities, and inter-agency coordination.

*Third*, the societal dimension, which captures the behavior and perceptions of taxpayers. This includes levels of awareness, trust in government, and cultural attitudes toward compliance.

These three dimensions interact dynamically to shape the performance of local retribution systems. Weaknesses in any one dimension can undermine overall effectiveness, while improvements in one area can reinforce outcomes in others. For instance, enhancing institutional capacity through digitalization may improve transparency, which in turn can increase public trust and compliance.

This integrative framework serves as the analytical foundation for this study, guiding both the empirical investigation and the interpretation of findings. It enables a holistic assessment of retribution governance, recognizing that fiscal outcomes are the result of complex interactions between law, institutions, and society.

### **3 METHODOLOGY**

This study adopts a socio-legal research design to examine the governance of local retribution in Singkawang City. The socio-legal approach is particularly appropriate for this research because it enables a comprehensive analysis of the interaction between formal legal frameworks and their implementation within specific social and institutional contexts (Banakar & Travers, 2005). Rather than limiting the analysis to doctrinal legal interpretation, this approach incorporates empirical investigation to understand how legal norms function in practice, especially in the domain of public governance where compliance, institutional capacity, and societal behavior are deeply interconnected (Soekanto, 2008).

The research is grounded in a qualitative methodological orientation, which emphasizes depth of analysis over statistical generalization. This choice reflects the primary objective of the study, which is to explore the processes, challenges, and dynamics underlying local retribution governance rather than to establish causal relationships through quantitative measurement. A qualitative approach allows for a nuanced understanding of how legal norms are interpreted and enacted by various actors, including government officials and taxpayers, within their specific socio-economic environment.

The study applies a juridical-sociological approach that integrates normative and empirical dimensions environments (Sunggono, 2003). The normative dimension focuses on the analysis of legal frameworks governing local retribution, including statutory

regulations, regional policies, and administrative rules. This involves examining the structure, coherence, and enforceability of the legal system as it relates to revenue collection. At the same time, the empirical dimension investigates how these legal norms are implemented in practice, paying particular attention to institutional processes, administrative behavior, and the experiences of taxpayers (Waluyo, 2002). Through this dual approach, the research captures the gap between law in the books and law in action, which constitutes a central concern in socio-legal scholarship (Mertokusumo, 1991).

The empirical component of the study is conducted in Singkawang City, Indonesia, which serves as a case study for analyzing local retribution governance. The selection of this location is based on its relevance as a growing urban area with diverse economic activities and a dynamic local revenue system. At the same time, the city faces persistent challenges in optimizing retribution collection, particularly in the context of economic disruptions such as the COVID 19 pandemic. These characteristics provide a meaningful setting for examining how legal norms, institutional capacity, and societal behavior interact in shaping fiscal outcomes at the local level.

The research relies on both primary and secondary data sources to ensure a comprehensive and balanced analysis. Primary data are obtained through field research involving key stakeholders who are directly engaged in the retribution system. These include local government officials responsible for revenue collection, representatives of relevant administrative agencies, and members of the public, including business actors and individual taxpayers. The selection of informants is conducted using a purposive sampling technique, which allows the researcher to identify individuals with relevant knowledge and experience related to the subject matter. This approach ensures that the data collected are rich in insight and directly aligned with the objectives of the study.

Secondary data are derived from a range of documentary sources, including legal texts, policy documents, official reports, and academic literature. These materials provide the normative and conceptual foundation for the research, as well as contextual information that supports the interpretation of empirical findings. The use of secondary data also enables the researcher to situate the case study within broader theoretical and policy debates on fiscal decentralization and public governance (Rahardjo, 2003).

Data collection is carried out through a combination of semi-structured interviews, document analysis, and limited field observation. Semi-structured interviews are

employed to obtain in-depth insights into the perspectives, experiences, and practices of key stakeholders. This method provides flexibility for exploring emerging issues while maintaining a coherent analytical framework. Document analysis is conducted to examine the legal and policy framework governing retribution, as well as to assess the consistency between formal regulations and their implementation. Field observation, although limited, is used to capture practical aspects of administrative processes and interactions between officials and taxpayers, thereby enriching the empirical understanding of the research context.

The data analysis process follows a qualitative normative approach that combines thematic analysis with legal interpretation. The collected data are first organized and categorized based on key themes derived from the theoretical framework, including legal effectiveness, institutional capacity, and taxpayer behavior. The analysis is conducted iteratively, involving continuous refinement of categories and interpretations as new insights emerge from the data. This process allows for the identification of patterns, relationships, and underlying factors that shape the governance of local retribution.

Normative analysis is used to evaluate the legal framework in terms of its coherence, clarity, and enforceability, while empirical findings are used to assess the extent to which these legal norms are effectively implemented in practice (Marzuki, 2010). By integrating these two dimensions, the study provides a holistic understanding of the strengths and limitations of the existing system, as well as the factors that influence its performance.

To ensure the rigor and credibility of the research, several strategies are employed. Data triangulation is achieved by combining multiple data sources and methods, including interviews, document analysis, and observation, which helps to validate the consistency of findings. Source triangulation is also applied by collecting information from different categories of informants, thereby reducing the risk of bias and enhancing the reliability of the analysis. In addition, the iterative nature of the analytical process allows for continuous verification and refinement of interpretations, ensuring that the conclusions are firmly grounded in empirical evidence (Creswell & Poth, 2018).

Ethical considerations are carefully observed throughout the research process. All participants are involved voluntarily and are informed about the purpose of the study. Confidentiality and anonymity are maintained to protect the identity of informants, and

the data collected are used solely for academic purposes. The research also adheres to principles of objectivity and transparency in the presentation and interpretation of findings, ensuring that the analysis accurately reflects the empirical realities of the case under study.

## **4 RESULTS AND DISCUSSIONS**

### **4.1 Institutional dynamics of local retribution governance in singkawang city**

The governance of local retribution in Singkawang City reflects a complex interaction between formal regulatory frameworks and institutional practices that shape the effectiveness of regional revenue collection. While the legal basis for retribution is formally established through national and regional regulations, its operationalization at the local level reveals significant institutional dynamics that influence both efficiency and outcomes. The findings of this study indicate that the effectiveness of retribution governance cannot be understood solely through the existence of legal norms, but rather through the capacity of local institutions to translate these norms into functional administrative practices (Rikky, 2025).

Empirical evidence from Singkawang demonstrates that the local government has undertaken various efforts to strengthen retribution collection, particularly through administrative coordination and public outreach. The regional financial authority has mobilized available human resources and utilized existing infrastructure to support revenue collection activities. These efforts reflect an institutional commitment to enhancing local revenue as part of broader fiscal decentralization objectives. However, the findings also reveal that such efforts remain constrained by structural limitations within the administrative system, including fragmented coordination, limited technological integration, and inconsistencies in enforcement practices.

From an institutional perspective, one of the central challenges lies in the limited integration of administrative systems across relevant agencies. Effective retribution governance requires coordination between multiple actors, including revenue offices, licensing authorities, and field enforcement units. In practice, however, these institutions often operate in silos, resulting in inefficiencies in data sharing and monitoring. This

fragmentation undermines the ability of the government to identify potential taxpayers, track compliance, and enforce obligations effectively. Recent studies on public sector governance highlight that institutional fragmentation is a key barrier to effective policy implementation, particularly in decentralized systems where coordination mechanisms are often weak (Priyadipa *et al.*, 2022).

The reliance on conventional administrative practices further exacerbates these challenges. Although there have been initiatives to expand payment channels through collaboration with external partners such as postal services and retail outlets, the overall system remains only partially digitalized. This limits the efficiency of revenue collection and reduces transparency, as manual processes are more susceptible to errors and delays. Contemporary research on digital governance emphasizes that the adoption of integrated digital systems can significantly enhance revenue performance by improving data accuracy, facilitating real-time monitoring, and increasing accessibility for taxpayers. In the case of Singkawang, the absence of a fully integrated digital infrastructure represents a critical gap in institutional capacity.

Another important dimension of institutional dynamics relates to human resource capacity. The effectiveness of retribution collection depends not only on the availability of personnel but also on their technical competence and organizational support. The findings suggest that while the local government has made efforts to deploy personnel across relevant units, there remain limitations in terms of training, specialization, and performance management. This affects the ability of officials to implement policies consistently and to respond adaptively to emerging challenges. Governance literature consistently underscores that human capital is a crucial determinant of institutional performance, particularly in contexts where policy implementation requires both technical expertise and discretionary judgment.

The institutional challenges identified in this study also reflect broader issues of governance quality. Effective retribution systems require not only administrative capacity but also accountability and transparency. In Singkawang, the mechanisms for monitoring and evaluating revenue performance appear to be underdeveloped, limiting the ability of policymakers to assess the effectiveness of existing strategies and to make evidence-based adjustments. This aligns with findings from recent studies which indicate that weak

accountability frameworks can undermine fiscal performance by reducing incentives for efficiency and innovation.

At the same time, the study reveals that institutional efforts to improve retribution governance have been influenced by external shocks, particularly the COVID 19 pandemic (Zulkarnaen & Herawaty, 2022). The pandemic disrupted economic activity and constrained administrative operations, thereby exposing the vulnerabilities of existing systems. Many businesses experienced declining revenues or were forced to cease operations, which directly impacted the collection of retribution. This situation highlights the importance of institutional resilience, defined as the capacity of governance systems to adapt to changing conditions and to maintain functionality under stress. The experience of Singkawang suggests that building resilience requires not only flexible policy instruments but also robust institutional structures capable of responding to uncertainty (Pravitasari & Insukindro, 2023).

Despite these challenges, there are indications of adaptive strategies emerging within the local government. The expansion of payment channels through collaboration with third-party providers represents an attempt to improve accessibility and convenience for taxpayers. In addition, the use of social media for monitoring new business activities reflects an innovative approach to identifying potential revenue sources. These initiatives demonstrate a degree of institutional learning and adaptation, which is essential for improving governance performance over time.

However, the effectiveness of these strategies remains limited in the absence of systemic reform. Incremental improvements in specific areas are insufficient to address the underlying structural issues that constrain retribution governance. What is required is a more comprehensive approach that integrates legal reform, institutional strengthening, and technological innovation. This includes the development of integrated information systems, the enhancement of inter-agency coordination, and the establishment of clear accountability mechanisms.

The findings of this study contribute to the broader literature on fiscal decentralization by highlighting the importance of institutional dynamics in shaping local revenue outcomes. While decentralization provides opportunities for local governments to enhance fiscal capacity, its success depends on the ability of institutions to manage resources effectively and to adapt to changing conditions. In this regard, the case of

Singkawang illustrates that the challenges of retribution governance are not merely technical but are deeply rooted in institutional structures and practices.

Moreover, the study underscores the need to move beyond a narrow focus on revenue targets toward a more holistic understanding of governance effectiveness. Retribution should not be viewed solely as a fiscal instrument but as part of a broader system of public service delivery and citizen engagement. This perspective aligns with contemporary governance theories that emphasize the importance of trust, participation, and accountability in achieving sustainable policy outcomes.

In conclusion, the institutional dynamics of local retribution governance in Singkawang City reveal both the potential and the limitations of decentralized fiscal systems. While there are clear efforts to enhance revenue collection, these efforts are constrained by structural and capacity-related challenges that limit their effectiveness. Addressing these challenges requires a comprehensive and integrated approach that strengthens institutional capacity, leverages technological innovation, and fosters a culture of accountability and responsiveness within public administration.

#### **4.2 Behavioral and societal factors of taxpayer compliance**

Understanding taxpayer compliance in the context of local retribution in Singkawang City requires moving beyond a purely administrative or legalistic perspective toward a more nuanced analysis of behavioral and societal determinants. The findings of this study demonstrate that compliance is not merely a function of regulatory enforcement or economic capacity, but rather the result of a complex interplay between individual perceptions, social norms, institutional trust, and structural conditions. This perspective aligns with contemporary scholarship in behavioral public finance, which emphasizes that compliance behavior is deeply embedded in cognitive, cultural, and relational dimensions (Sriyana, 2022).

Empirical evidence from the study indicates that a significant proportion of non-compliance among taxpayers in Singkawang is driven by limited awareness and understanding of retribution obligations. Many business actors, particularly those operating in the informal or semi formal sectors, exhibit low levels of legal literacy regarding the types, rates, and procedures of local retribution. This lack of awareness is

not simply an informational gap but reflects deeper structural issues in the dissemination of policy information (Sofilda *et al.*, 2023). Public communication strategies have not fully penetrated all segments of society, particularly small scale entrepreneurs who often operate outside formal administrative networks. As a result, compliance becomes contingent on individual initiative rather than being supported by a systematic and inclusive information environment.

At the same time, behavioral factors such as perceived fairness play a critical role in shaping compliance decisions. The findings suggest that taxpayers are more likely to comply when they perceive the retribution system as fair, transparent, and proportionate to their economic capacity. Conversely, perceptions of arbitrariness or inequality in the application of rules can undermine compliance, even in cases where enforcement mechanisms are relatively strong. This observation is consistent with the theory of tax morale, which posits that intrinsic motivations to comply are influenced by normative beliefs about fairness and legitimacy. In the context of Singkawang, variations in the enforcement of retribution across different sectors and locations contribute to perceptions of inconsistency, thereby weakening the moral basis for compliance (Staf Bidang Keuangan BKD Kota Singkawang, 2023).

Social norms also emerge as a significant determinant of taxpayer behavior. In many cases, compliance decisions are influenced by the behavior of peers and the prevailing norms within specific business communities. When non compliance is perceived as common or socially acceptable, individual taxpayers are less likely to adhere to their obligations. Conversely, environments in which compliance is the norm tend to reinforce positive behavior through mechanisms of social pressure and collective expectations. The study finds that in certain sectors, particularly traditional markets and small scale service industries, informal norms often override formal regulations, creating a context in which compliance is negotiated rather than strictly enforced.

Trust in government institutions represents another crucial factor shaping taxpayer compliance. The findings indicate that low levels of institutional trust can significantly reduce the willingness of taxpayers to fulfill their obligations. When individuals doubt that their contributions will be used effectively or equitably, they are less inclined to comply voluntarily. This reflects a broader governance challenge, as trust is closely linked to perceptions of accountability, transparency, and service quality. In Singkawang,

concerns about the effectiveness of public service delivery and the visibility of retribution benefits contribute to a gap between formal obligations and actual compliance behavior.

The role of enforcement mechanisms, while still important, appears to be mediated by these behavioral and societal factors. The study shows that punitive approaches alone are insufficient to ensure high levels of compliance, particularly in contexts where awareness, trust, and social norms are weak. Although sanctions and inspections can deter non compliance to some extent, their effectiveness is limited when not supported by broader efforts to build legitimacy and engagement. This finding is consistent with recent research in regulatory governance, which highlights the importance of combining deterrence with facilitative and persuasive strategies.

Economic conditions further complicate the landscape of taxpayer compliance. The impact of the COVID 19 pandemic, as reflected in the findings, has significantly affected the capacity of many businesses to meet their retribution obligations. Declining revenues and increased operational uncertainties have forced some taxpayers to prioritize immediate survival over regulatory compliance (Yusuf & Firdaus, 2020). In such contexts, non compliance may not necessarily reflect unwillingness but rather an inability to pay. This distinction is critical for policy design, as it underscores the need for flexible and responsive approaches that take into account the economic realities faced by taxpayers.

In addition to economic constraints, psychological factors such as risk perception and cognitive biases also influence compliance behavior. Taxpayers often assess the likelihood of detection and the severity of sanctions when deciding whether to comply. However, these assessments are not always rational or based on accurate information. In environments where enforcement is perceived as weak or inconsistent, the perceived risk of non compliance decreases, leading to lower levels of adherence. Conversely, visible and credible enforcement actions can enhance compliance by increasing the perceived cost of non compliance.

The interaction between digitalization and behavioral factors presents both opportunities and challenges for improving compliance. On the one hand, the adoption of digital payment systems and online platforms can simplify procedures, reduce transaction costs, and increase convenience for taxpayers. These improvements can enhance compliance by lowering practical barriers and making it easier for individuals to fulfill

their obligations. On the other hand, the effectiveness of digital solutions depends on the level of digital literacy and access among the population. In Singkawang, disparities in digital access and skills may limit the impact of such initiatives, particularly among older or less technologically adept taxpayers.

Importantly, the findings highlight the need to conceptualize taxpayer compliance as a relational process rather than a purely individual decision. Compliance is shaped by interactions between taxpayers and government institutions, as well as by the broader social environment in which these interactions occur. This perspective shifts the focus from enforcement to engagement, emphasizing the importance of building collaborative relationships between authorities and citizens. Initiatives such as participatory outreach, community based education, and stakeholder engagement can play a significant role in fostering a culture of compliance (Corbridge, 2002).

The study also underscores the importance of policy coherence in shaping behavioral outcomes. Inconsistent or overlapping regulations can create confusion and increase the cognitive burden on taxpayers, thereby reducing compliance. Simplifying regulatory frameworks and ensuring clarity in procedures can enhance compliance by making it easier for individuals to understand and fulfill their obligations. This aligns with insights from behavioral economics, which emphasize the role of simplicity and clarity in influencing decision making (Hadiyatno *et al.*, 2020).

Furthermore, the role of local culture and values should not be overlooked. In many communities, cultural norms and traditions influence attitudes toward authority and collective responsibility. In Singkawang, the diversity of cultural backgrounds may contribute to variations in compliance behavior, as different groups may have distinct norms and expectations regarding public obligations. Recognizing and incorporating these cultural dimensions into policy design can enhance the effectiveness of compliance strategies by ensuring that they resonate with local values and practices.

From a theoretical standpoint, the findings of this study support an integrated model of taxpayer compliance that combines elements of deterrence theory, tax morale, and social norm theory. Such a model acknowledges that compliance is influenced by both external incentives and internal motivations, as well as by the social context in which individuals operate. This holistic approach provides a more comprehensive framework

for understanding and addressing the challenges of retribution governance (Rininda & Ismaiyah, 2024).

In conclusion, the behavioral and societal factors shaping taxpayer compliance in Singkawang City reveal the limitations of traditional enforcement based approaches and highlight the need for more nuanced and multifaceted strategies. Enhancing compliance requires not only strengthening regulatory frameworks and enforcement mechanisms but also addressing the underlying cognitive, social, and institutional factors that influence behavior. By fostering awareness, building trust, reinforcing positive social norms, and adapting to economic realities, policymakers can create a more supportive environment for voluntary compliance and ultimately improve the effectiveness of local retribution systems.

### **4.3 Transformative strategies and future governance model**

The challenges identified in the governance of local retribution in Singkawang City, particularly those related to institutional fragmentation and behavioral compliance, necessitate a shift from incremental reform toward a more transformative and systemic approach. This section develops a forward looking governance model that integrates institutional strengthening, behavioral insights, and technological innovation into a coherent framework. The objective is not only to improve revenue performance but also to reconfigure the relationship between the state and taxpayers in a way that is adaptive, inclusive, and sustainable (Zulkarnaen & Herawaty, 2022).

At the core of this transformation is the recognition that traditional models of public revenue administration, which rely heavily on hierarchical control and manual processes, are no longer adequate in addressing the complexity of contemporary governance environments. Instead, what is required is a paradigm shift toward what can be described as adaptive governance, a model characterized by flexibility, data driven decision making, and continuous institutional learning (Staf Bidang Keuangan BKD Kota Singkawang, 2023). In the context of Singkawang, this implies moving beyond fragmented administrative practices toward an integrated system that aligns regulatory frameworks, organizational capacities, and technological infrastructures.

One of the central pillars of this transformation is digital integration. The findings of this study indicate that existing efforts toward digitalization remain partial and fragmented, limiting their effectiveness in enhancing efficiency and transparency. A transformative strategy would involve the development of an integrated digital ecosystem for retribution governance, encompassing taxpayer registration, payment processing, compliance monitoring, and performance evaluation. Such a system would enable real time data sharing across agencies, reduce administrative redundancies, and provide a more accurate basis for policy decisions. Moreover, digital platforms can facilitate greater accessibility for taxpayers, thereby lowering barriers to compliance and fostering a more user centered approach to public service delivery (Negeri, 2022).

However, digital transformation must be accompanied by institutional restructuring to ensure that technological innovations are effectively embedded within organizational practices. This includes clarifying roles and responsibilities across agencies, strengthening coordination mechanisms, and establishing clear accountability frameworks. Without such institutional alignment, digital tools risk becoming underutilized or misaligned with policy objectives. The experience of many developing regions demonstrates that technological adoption without institutional reform often leads to suboptimal outcomes.

Equally important is the incorporation of behavioral insights into policy design. As discussed in the previous section, taxpayer compliance is influenced by a range of cognitive and social factors that cannot be addressed through enforcement alone. Transformative strategies should therefore include interventions aimed at enhancing tax morale, improving perceptions of fairness, and reinforcing positive social norms. This can be achieved through targeted communication campaigns, simplified procedures, and the use of behavioral nudges such as reminders, default options, and social comparison messages. By aligning policy instruments with human behavior, governments can achieve more effective and sustainable compliance outcomes.

Another critical dimension of the proposed governance model is participatory engagement. Traditional approaches to retribution governance often treat taxpayers as passive subjects of regulation rather than active partners in governance. A more transformative approach would involve creating mechanisms for stakeholder participation in policy design and implementation. This could include consultative

forums, feedback platforms, and community based monitoring initiatives. Such mechanisms not only enhance the legitimacy of policies but also provide valuable insights into local conditions and challenges, thereby improving policy relevance and effectiveness (Azzam *et al.*, 2024).

The concept of resilience also plays a central role in the proposed governance model. The disruptions caused by the COVID 19 pandemic have highlighted the vulnerability of existing systems to external shocks (A'yun *et al.*, 2022). Building resilience requires the development of flexible policy instruments that can adapt to changing economic conditions, as well as institutional capacities that enable rapid response and recovery. In the context of retribution governance, this may involve the introduction of adaptive tariff structures, temporary relief measures, and contingency planning mechanisms. These measures can help ensure that revenue systems remain functional even under conditions of uncertainty.

To operationalize these transformative strategies, this study proposes an integrated governance model that synthesizes the key dimensions identified above. The model is designed to provide a structured framework for policy innovation while remaining adaptable to local contexts.

**Table 1**

*Transformative Governance Model for Local Retribution*

<b>Core Problem</b>	<b>Transformative Response</b>	<b>Expected Impact</b>
Fragmented institutions	Integrated coordination and clear authority	More efficient governance
Limited digitalization	Unified digital retribution system	Transparency and ease of payment
Low taxpayer compliance	Behavioral and communication strategies	Higher voluntary compliance
Weak public trust	Participatory and transparent governance	Stronger legitimacy
Economic vulnerability	Adaptive and flexible policies	Greater system resilience

This simplified model highlights that transformation does not require overly complex interventions, but rather strategic alignment across key governance dimensions. Each element directly addresses a core structural weakness while generating measurable improvements in both administrative performance and societal outcomes.

From a theoretical standpoint, this model contributes by integrating institutional, behavioral, and digital governance perspectives into a single operational framework. It demonstrates that effective fiscal governance is not determined by one dominant factor, but by the interaction between systems, actors, and technologies. This integrative approach represents a significant advancement over fragmented models that treat these dimensions separately.

In practical terms, the implementation of this model requires prioritization and sequencing. Initial reforms should focus on institutional coordination and digital foundations, followed by behavioral interventions and participatory mechanisms. Over time, these elements can evolve into a fully adaptive governance system capable of responding dynamically to economic and social changes.

In conclusion, the transformation of retribution governance in Singkawang is not merely a technical issue but a structural and paradigmatic shift. By adopting a simplified yet integrative governance model, local governments can move toward a system that is more efficient, more legitimate, and more resilient. This approach not only enhances local revenue performance but also strengthens the broader relationship between the state and society, which is ultimately the foundation of sustainable governance.

## 5 CONCLUSION

This study set out to examine the governance of local retribution in Singkawang City through an integrated lens that combines institutional analysis, behavioral insights, and governance transformation. The findings reveal that the challenges faced in optimizing local retribution are not merely technical or administrative in nature, but are deeply rooted in structural, societal, and systemic dimensions. Consequently, improving local revenue performance requires a fundamental rethinking of governance approaches rather than incremental policy adjustments.

At the institutional level, the study demonstrates that the effectiveness of retribution governance is significantly constrained by fragmentation across agencies, limited coordination, and the absence of integrated administrative systems. Although regulatory frameworks formally exist, their implementation remains uneven due to weak inter-organizational alignment and insufficient technological support. This condition

reflects a broader pattern in decentralized governance systems, where the delegation of authority is not always accompanied by adequate institutional capacity. As a result, the potential of fiscal decentralization to enhance local revenue remains only partially realized.

From a behavioral perspective, the study underscores that taxpayer compliance cannot be adequately explained through deterrence based models alone. Instead, compliance is shaped by a complex interaction of awareness, perceived fairness, social norms, and institutional trust. Low levels of legal literacy, combined with inconsistent enforcement and limited public engagement, contribute to a compliance environment that is fragile and uneven. Importantly, the findings highlight that non compliance is not always a result of intentional evasion, but often reflects structural constraints and informational gaps faced by taxpayers, particularly in informal and small scale sectors.

The study also identifies the critical role of societal factors in shaping governance outcomes. Social norms and community level practices significantly influence individual behavior, often reinforcing patterns of compliance or non compliance. In contexts where informal norms dominate, formal regulations tend to be negotiated rather than strictly followed. This insight challenges conventional top down approaches to governance and calls for more context sensitive strategies that engage with local social dynamics.

In response to these multidimensional challenges, the study proposes a transformative governance model that integrates institutional reform, digital innovation, behavioral policy, and participatory engagement. This model emphasizes the importance of alignment across key governance dimensions, highlighting that sustainable improvements in revenue performance can only be achieved through a holistic and adaptive approach. Digital integration, in particular, emerges as a critical enabler of transparency and efficiency, while behavioral interventions provide a pathway for enhancing voluntary compliance. At the same time, participatory mechanisms are essential for building trust and legitimacy, thereby strengthening the relational foundation of governance.

The proposed model also advances the concept of resilience as a core principle of fiscal governance. The experience of the COVID 19 pandemic illustrates the vulnerability of rigid administrative systems to external shocks. By incorporating flexibility and adaptability into policy design, local governments can better navigate uncertainty and

maintain functionality under changing conditions. This shift toward adaptive governance represents a significant departure from traditional static models and aligns with contemporary developments in public administration theory.

Theoretically, this study contributes to the literature by bridging three major strands of scholarship that are often treated separately, namely institutional theory, behavioral public finance, and digital governance. By demonstrating the interdependence of these dimensions, the study provides a more comprehensive framework for understanding the dynamics of local revenue systems. It highlights that governance effectiveness is not determined by isolated variables, but by the interaction between structures, actors, and technologies within a broader socio economic context.

Practically, the findings offer actionable insights for policymakers. First, there is a need to prioritize institutional integration through clearer mandates and stronger coordination mechanisms. Second, investments in digital infrastructure should be accompanied by organizational reforms to ensure effective implementation. Third, policy design should incorporate behavioral insights to address the underlying motivations and constraints of taxpayers. Finally, enhancing transparency and participation is essential for building public trust and ensuring the legitimacy of governance processes.

In conclusion, the governance of local retribution in Singkawang City illustrates the broader challenges of decentralized fiscal systems in developing contexts. While the potential for improving local revenue is significant, realizing this potential requires a shift toward more integrated, adaptive, and citizen oriented governance models. By embracing this transformation, local governments can not only enhance fiscal performance but also strengthen the foundations of democratic governance and sustainable development.

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