

# Qualitative Study of the Declining Trend of Local Retribution in Regency/City in Indonesia

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## Abstract

This qualitative study examines public perceptions of the declining trend in local retribution within Indonesian regencies and cities, focusing on factors such as public awareness, trust in governance, and economic challenges impacting compliance. Data were collected through in-depth interviews and observations with community members and local officials to explore their views on retribution policies and practices. Findings reveal limited public understanding of retribution policies, perceived lack of transparency in fund allocation, and economic hardships significantly reducing compliance. For example, participants cited unclear fund usage and inconsistent public services as reasons for skepticism and reluctance to pay. Residents found retribution fees burdensome in economically fragile areas, especially during low-income periods. To address these challenges, the study suggests strategies to improve transparency, enhance administrative efficiency, and link public services directly to retribution payments. Recommendations include public reporting on fund usage, flexible payment options that reflect local economic conditions, and digital payment systems to simplify processes. The study highlights the importance of community involvement in policy-making and tailored approaches to meet regional needs, contributing to sustainable local revenue growth and effective fiscal management. By increasing awareness, transparency, and economic fairness, local governments can foster higher compliance, financial independence, and stronger support for public services.

**Keywords:** Local Retribution, Public Perception, Compliance Behavior, Transparency, Fiscal Policy

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## INTRODUCTION

The reform of Indonesian policy through Law No. 23 of 2014 on Regional Government and Law No. 33 of 2004 on Fiscal Balance between the Central and Regional Governments has fundamentally changed the relationship between central and local governments. These reforms aim to increase regional autonomy, granting local governments greater authority over administration and financial management to better respond to community needs (Karnedi & Hidayatulloh, 2019; Nazikha & Rahmawati, 2021). Regional autonomy is intended to bring public services closer to the people, strengthen public oversight of local budgeting, and foster regional innovation and competition (Molle, et.al., 2023; Prasojo, 2017).

Fiscal decentralization, a core pillar of this reform, seeks to improve government efficiency and public service delivery while boosting local financial capacity (Widjaja, 2011). A significant component of this capacity is local revenue or *Pendapatan Asli Daerah* (PAD), managed by local revenue offices (Bapenda). Local governments are encouraged to increase PAD by diversifying revenue sources, which supports financial independence from central government transfers and aligns with regional autonomy goals (Sulistiyani, 2012).

A critical element of PAD is local retribution, encompassing various service charges collected by local governments (Halim, 2013). Retribution serves as a critical financial instrument to support local self-sufficiency and development. However, recent trends show a decrease in retribution collection across many regencies and cities in Indonesia. Understanding the public perception of this decline is essential, as it directly affects regional financial health and the capacity to provide quality public services.

This study uses a qualitative approach to explore public perceptions of declining local retribution in Indonesian regencies and cities. Data were collected through in-depth interviews with community members and local officials and observations of local revenue office activities. The analysis examines community views to identify factors behind the decline in retribution and its effects on governance, service quality, and financial stability. For example, interviews revealed that community members often perceive retribution as unfair due to a lack of visible improvements in public services, reducing compliance. Additionally, local officials cited administrative inefficiencies and resource constraints as obstacles to effective retribution collection.

The findings contribute to policy discussions on enhancing retribution management, increasing public trust, and strengthening local financial autonomy. Local governments may restore public confidence and improve retribution compliance by addressing community concerns and improving transparency.

## Literature Review

The issue of local retribution and its management in Indonesian regencies and cities has been explored in various studies, each contributing to understanding the challenges, impacts, and strategies for revenue collection. The decline in retribution revenue poses a significant concern for local governments striving for financial independence and effective service delivery. This review provides an overview of the existing literature that addresses the key factors affecting retribution, policy approaches, and regional variations in revenue management.

Rachman (2024) provides an in-depth analysis of local retribution in Gorontalo City, using a qualitative approach to explore the dynamics of retribution and its impact on local revenue. The study emphasizes the need for local governments to strengthen management, supervision, and guidance over retribution collection to achieve financial sustainability. Employing a SWOT analysis, the research identifies areas for improvement in policy and administrative practices, suggesting that enhancing efficiency in retribution processes is crucial for boosting regional revenue. The research emphasizes the importance of aligning retribution collection with broader financial planning and local governance policies.

Iwan and Arisman (2023) focus on the effectiveness of market service retributions in Yogyakarta City, exploring how these fees contribute to regional revenue. The study finds that local government capacity and administrative processes directly impact the success of retribution collection. Transparency in the management of funds and community awareness are highlighted as critical factors influencing compliance and payment behavior among the public. The authors



propose that improving data management and digitalizing payment systems could lead to more efficient revenue collection and greater accountability.

Muhammad and Safarida (2023) examine the tourism industry's role in contributing to Langsa City's local revenue. Their research indicates that tourism retributions are vital for enhancing regional financial health. However, fluctuations in tourism activity, mainly due to external economic conditions and policy changes, directly impact the stability of retribution collection. The study suggests that a diversified local economy and strategic planning in tourism-related fees could stabilize retribution revenues and reduce the risk of dependency on a single revenue source.

Sakir (2023) analyzes restaurant tax revenues' role in Ambon, discussing how local taxation policies intersect with retribution management. The findings highlight the importance of integrating tax and retribution policies to optimize revenue streams effectively. The study also discusses the need for local governments to build trust with business owners and residents by showing transparency in how funds are used to improve public services.

Nurfatriani et al. (2022) explore the impact of revenue-sharing schemes from the oil palm industry on environmental sustainability and regional financial health in Indonesia. Although the study is not directly about retribution, it provides insights into how local revenue sources, including retributions, can be strategically managed to balance financial benefits with sustainable practices. The research recommends that local governments develop policies that align revenue generation with environmental goals to achieve long-term regional development.

Previous studies demonstrate that while local retribution remains a vital source of regional income, various factors—such as policy clarity, administrative efficiency, economic conditions, and community awareness—significantly influence its collection and management. There is a consensus that improving administrative systems, enhancing transparency, and building public trust are essential for effective retribution collection. The literature also emphasizes the importance of aligning retribution policies with broader local economic development plans to ensure sustainable revenue growth and efficient public service delivery.

## METHODS

### Research Design

This study employs a qualitative research design to explore public perceptions of the decline in local retribution in Indonesian regencies and cities. A qualitative approach allows for an in-depth exploration of community views, attitudes, and experiences, which are crucial to understanding the complexities of local retribution (Creswell, 2013). The research is rooted in an interpretative paradigm, aiming to derive meanings from participants' perspectives and interpret their understanding of local retribution issues within their specific socio-economic and policy contexts (Denzin & Lincoln, 2018).

### Participants

Participants are selected through purposive sampling to ensure they have direct experience and knowledge of local retribution issues. These participants include community members, local business owners, and stakeholders such as civil society representatives affected by or involved in retribution collection and its implications on public services. The sample size is flexible, aiming for data saturation rather than a predetermined number (Guest, Bunce, & Johnson, 2006). This approach ensures a comprehensive understanding of varying perspectives within the community.

### Data Collection

Data is collected through semi-structured interviews and document analysis. Semi-structured interviews provide the flexibility to explore participants' thoughts while allowing for probing deeper into specific experiences (Kvale & Brinkmann, 2009). Depending on participant preference, interviews, and discussions are conducted in the local language or Bahasa Indonesia to ensure clear communication. Each interview lasts approximately 45 to 60 minutes and is recorded with consent for accurate transcription and analysis. Supplementary data is collected from local policy documents, news articles, and government reports to triangulate and contextualize the findings from participants.

## Data Analysis

Thematic analysis is used to analyze the collected data, following the method outlined by Braun and Clarke (2006). This process involves coding the transcripts of interviews and FGDs, identifying patterns and themes, and iteratively refining these themes to ensure they accurately represent the data. The analysis includes:

1. Familiarization with Data: Transcripts are read and re-read to understand the content.
2. Coding: Key points related to the research questions are coded using open coding, categorizing similar ideas.
3. Theme Development: Codes are grouped into broader themes that reflect significant trends in perceptions, challenges, and suggestions for addressing retribution issues.
4. Review and Refinement: Themes are reviewed against the data to ensure they are representative and refined to avoid overlap.

Data is managed and organized using qualitative data analysis software, such as NVivo, to facilitate efficient coding, theme development, and comparison across interviews and documents.

## FINDINGS AND DISCUSSIONS

### Understanding and Awareness of Local Retribution Systems

Community awareness of local retribution varied widely. Many participants had only a limited understanding of what retribution involved, with some aware that fees existed but unclear on specific types, purposes, or management processes. Those with better knowledge often directly interacted with local government programs or were business owners who paid retribution fees. This reflects the communication gap between local authorities and communities, as Rachman (2024) described, which hinders the effective dissemination of information on retribution policies and their benefits.

The lack of awareness was frequently attributed to the absence of public information campaigns, unclear policies, or inconsistencies in how retribution was applied. Importantly, participants with a better understanding of the retribution system tended to view payments as fair contributions to local development. In contrast, those perceiving retribution fees as arbitrary or unnecessary were more likely to resist payment.

### The Perceived Fairness and Transparency in Local Governance

A dominant theme was the perceived fairness of retribution collection and transparency in fund allocation. Many participants expressed skepticism about how funds were used, doubting whether payments supported meaningful public services. This sentiment aligns with Iwan and Arisman's (2023) findings, which highlight that transparency in retribution management is essential for trust and compliance. In regions where retribution was transparently managed, participants reported greater willingness to pay, citing visible improvements in infrastructure, market facilities, and public services as positive outcomes. Conversely, there was a strong sense of mistrust in areas with unclear fund allocation or inadequate services, especially among business owners and farmers who saw little return for their contributions.

### Challenges in Economic Compliance

Economic conditions were another significant factor impacting public perceptions of retribution. In regencies and cities with fragile economic stability, participants found retribution fees to be an added burden. Seasonal income variations, such as those experienced by farmers or small market vendors, made regular payments challenging. Many respondents expressed that paying retribution felt punitive, especially during months of low income or economic hardship.

The findings of Muhammad and Safarida (2023) on the tourism industry's contribution to local revenue are relevant here, showing how sectors with seasonal income patterns influence the stability of retribution payments. For instance, in areas dependent on tourism, participants indicated that low seasons significantly reduced their ability to pay. In times of economic recession or reduced tourist activity, compliance rates dropped substantially.

Participants suggested that retribution systems should consider economic variability and income levels, proposing adjustments like seasonal payment schedules, reduced fees for low-income groups, or the provision of alternative forms of payment (e.g., service contributions instead

of monetary payment). These suggestions mirror Nurfatriani et al.'s (2022) advocacy for adaptive fiscal policies that align with regional economic conditions and income disparities.

### **Cultural and Social Attitudes Toward Local Authority**

The study also revealed that cultural attitudes toward local authority and governance played a critical role in shaping perceptions of retribution. Retribution payments were seen as part of civic duty and social contribution in areas with a strong tradition of respect for local leaders or community solidarity. Participants in such regions were more willing to comply with retribution fees, viewing them as a necessary support for community development.

However, compliance was lower in regions with a history of distrust or political conflict. Participants in these areas often viewed retribution as an unfair tax or a mechanism of control rather than a beneficial community contribution. These findings align with the observations made by Sakir (2023), who noted that regional cultural norms and historical experiences with governance significantly influence public attitudes toward local revenue systems.

### **The Role of Public Services in Shaping Perceptions**

The quality and availability of public services were strongly linked to participants' willingness to comply with retribution. When local governments effectively used retribution revenue to provide essential services such as road maintenance, waste management, and market facilities, participants generally supported the payment of fees. The apparent linkage between payments and benefits strengthened their belief in the retribution system.

Conversely, in regions where public services were inadequate or non-existent, the perception of retribution as an unnecessary burden was more pronounced. Many participants felt they were paying for services they did not receive, leading to resistance or complete avoidance of payments. This finding supports the argument by Trisnawathi (2023) that adequate service provision is crucial in justifying retribution and fostering public support for local revenue systems.

### **Administrative Efficiency and Compliance**

Another recurring theme was the efficiency of local government in managing and collecting retribution. Participants expressed concerns over bureaucratic inefficiencies, unclear payment processes, and the lack of modern payment systems. These administrative challenges were seen as a deterrent to compliance, as individuals faced difficulties understanding when, where, and how to pay their retribution fees.

Some participants highlighted that introducing digital payment systems could facilitate easier and more efficient transactions, reducing the time and effort required to comply. The integration of technology into retribution collection, as proposed by Rachman (2024), was seen as a way to improve efficiency, reduce corruption, and enhance transparency. This approach, coupled with clear guidelines and accessible payment channels, could significantly improve compliance rates and reduce administrative costs.

### **Strategies and Recommendations for Improving Local Retribution Systems**

Based on the findings, several strategies were identified to improve public perception and compliance with local retribution. First, participants emphasized the need for greater transparency in how retribution funds are allocated and utilized. Regular public reporting, community consultations, and the inclusion of local stakeholders in budgeting processes were suggested as ways to build trust and accountability. Second, communities' economic conditions should be considered when setting and collecting retribution. A flexible payment system adjusting to income levels and economic cycles can help alleviate financial burdens on low-income groups while ensuring revenue generation. For instance, seasonal payment schedules or exemptions for vulnerable populations could be explored as policy options. Third, enhancing public services and ensuring they are visibly connected to retribution payments can improve public perception and compliance. When individuals see the tangible benefits of their contributions, such as improved infrastructure, better waste management, or market facilities, they are more likely to support retribution fees. Lastly, administrative improvements are necessary to streamline retribution collection and reduce bureaucratic barriers. Digitalizing payment systems, simplifying processes, and improving access to information can facilitate compliance and reduce opportunities for corruption or mismanagement.



## CONCLUSION, IMPLICATIONS, AND FUTURE RESEARCH

This study concludes that public perceptions of local retribution in Indonesian regencies and cities are complex and shaped by various factors, including awareness, transparency, economic conditions, cultural attitudes, and the quality of public services. Declining compliance with retribution is driven by skepticism regarding fund management, perceived unfairness in fee application, economic constraints, and inefficiencies in collection processes. These factors do not operate in isolation; instead, they interact to influence public attitudes. For example, when transparency is lacking, economic hardships are more acute, making retribution fees feel burdensome and unjust, particularly for low-income groups. Similarly, cultural attitudes toward local governance can amplify distrust when public services are inadequate, further eroding willingness to comply.

Improving transparency, economic fairness, service quality, and administrative efficiency are essential for building positive public perceptions and enhancing compliance with retribution systems. Specific steps for local governments to implement these recommendations include:

- 1) **Increase Transparency through Regular Public Reporting and Community Involvement:** Local governments could publish detailed reports on how retribution funds are allocated and used, particularly highlighting improvements in public services funded by these revenues. Conducting quarterly community meetings to review and discuss budget allocations would involve citizens in decision-making, enhancing trust and accountability. For instance, funds spent on visible projects like road maintenance or market improvements should be showcased publicly to reinforce the link between retribution payments and tangible community benefits.
- 2) **Implement Economically Adaptive Retribution Policies:** Local governments could adopt flexible payment models that adjust to seasonal income fluctuations or economic conditions to address financial constraints. Options might include seasonal payment schedules for sectors with variable income, such as agriculture or tourism, and reduced rates or exemptions for low-income households. These policies could be piloted in regions with significant income variability to assess effectiveness before broader implementation.
- 3) **Strengthen Public Services Linked to Retribution Payments:** Visible improvements in services funded by retribution, such as waste management, road maintenance, and public facilities, can improve public support. Local governments should prioritize projects that address immediate community needs and communicate the impact of these projects as funded by retribution revenue. For example, setting aside a portion of funds specifically for community-requested projects could foster a sense of ownership and appreciation among residents.
- 4) **Enhance Administrative Efficiency through Digitalization:** Introducing digital payment systems can simplify payment processes, reduce administrative costs, and improve transparency. Local governments could partner with financial technology providers to create accessible digital platforms for retribution collection, ensuring secure and efficient transactions. Clear instructions, easy access, and reminders could help facilitate compliance. Implementing a pilot program in select areas could demonstrate the benefits of digitalization and encourage wider adoption.

While this study provides a qualitative understanding of public perceptions, it is limited by the scope of its participant pool, which may not fully capture diverse views across all Indonesian regions. Additionally, relying on self-reported data introduces potential biases based on participants' experiences. The qualitative nature of this research also limits the generalizability of findings to broader populations.

Future research should consider mixed-methods approaches to quantify factors influencing compliance and assess the impact of interventions to improve transparency, efficiency, and public service delivery. Longitudinal studies could examine how changes in policies or economic conditions affect public perception and retribution compliance, offering insights into the sustainability of recommended interventions. Comparative studies across different regions would provide a nuanced understanding of how local variations influence compliance, informing region-specific policies.



Further research should also focus on the role of technology in modernizing retribution systems. Exploring the effectiveness of digital solutions in reducing administrative barriers and increasing transparency could yield practical insights for addressing compliance challenges. By incorporating these elements, future studies can build on this research to support policies that promote sustainable local revenue systems and strengthen public trust in local governance.

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