



Strengthening Regional Fiscal Capacity in the Era of Decentralization: Strategy for Local Revenue Optimization in North Bolaang Mongondow

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A B S T R A C T

This study examines strategies for optimizing Local Revenue in North Bolaang Mongondow Regency within the framework of fiscal decentralization, emphasizing efforts to strengthen regional fiscal capacity. Employing an exploratory qualitative approach, the research integrates SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis to explore institutional, managerial, and personnel factors influencing the performance of Local Revenue. Data were gathered through literature review, participant observation, and in-depth interviews with key stakeholders. The findings reveal three major constraints: (1) low public awareness and compliance related to taxation and retribution systems, (2) inadequate transparency and service quality in Local Revenue management, and (3) limited competencies of government personnel in tax regulation enforcement. The study proposes three strategic approaches: market penetration through tourism and creative industry development, market development via support for micro, small, and medium enterprises and cross-sector collaboration, and product development through digital transformation of tax services and civil servant training. The results highlight the importance of institutional reform, accountable governance, and investment in human capital as integrated pathways to improve Local Revenue. Although limited in geographical and methodological scope, the study provides relevant insights for policy refinement. Future research is recommended to employ mixed methods and cross-regional comparisons to deepen understanding of the dynamics between Local Revenue management and regional fiscal independence.

INTRODUCTION

This study aims to analyze the factors that influence the increase in Local Revenue (PAD) in the context of fiscal decentralization, with a focus on strengthening the capacity of local governments. The existence of local governments is closely related to the fiscal capacity of the region or the financial capacity of the area to manage and finance development activities and provide public services to the community. Local fiscal capacity includes how much the local government can collect, manage, and use its own financial resources. Strong local governments and good fiscal capacity will support sustainable development, community empowerment, and welfare at the local level. [Bellofatto, A. A., & Besfamille, M. \(2018\)](#) said that the greater the financial autonomy, the greater the ability of the region to manage its own income and expenditure without being too dependent on fund transfers from the central government.

Local fiscal capacity is closely related to Local Revenue, hereinafter abbreviated as (PAD). Local governments need to have reliable and diverse sources of original revenue, such as local taxes, levies, and other income, to support public service activities and development in the region. [Burriel et al. \(2020\)](#) emphasized that the efficiency of financial management is one of the keys to how local governments manage their public finances, including aspects of spending management and tax collection, which will affect their fiscal capacity. Efficiency in financial management will increase regional financial support. Meanwhile, [Khusaini, M. \(2018\)](#) added that if local governments are too dependent on transferring funds from the central government, their existence and fiscal capacity can be limited.

Therefore, diversification of revenue sources is essential to increase regional budgetary capacity.

Looking at the portrait of how developed countries manage the fiscal capacity of local governments can vary, and this generally relies on the government system, laws, and economic policies of each country. [Borrás, S. \(2003\)](#) said that in Scandinavian countries, many implement fiscal decentralization, which means giving authority to local governments to manage most of their own fiscal resources. This means that local governments can collect and manage their own tax revenues, such as property taxes, local sales taxes, and perhaps some income tax revenues. [Mosteanu, N. R., & Mitroi, M. \(2015\)](#) also added that although developed countries in Europe implement a system of fund transfers from the central government to local governments to help them meet budget needs and basic services, the Prime Minister or President regulates policies on training and technical support may be provided to ensure that local governments have adequate financial management capabilities. This, as added by [Hastuti, P. \(2018\)](#), aims to prevent inefficient fiscal budget leaks by encouraging local governments to strengthen their internal control systems, including effective internal audit and audit procedures, and providing guidance and technical support to ensure the implementation of sound financial management practices. One of the things that needs to be emulated in developed countries is how the central government deals with fiscal leaks, namely conducting routine external audits to check the use of the budget by local governments. [Labolo, M. \(2017\)](#) added that one effective strategy is to provide incentives to local governments that succeed in achieving financial targets and demonstrate efficiency in budget management and to set sanctions or consequences for local

governments that fail to comply with financial regulations or show budget leaks. Indonesia can adopt how the strategy and monitoring system improve regional fiscal capacity in developed countries. One of them is implementing a sophisticated information technology system to monitor budget expenditures and revenues in real time. Sandiata (2023) explained that this aims to analyze data to detect potential leaks or anything that prevents local governments from optimizing Regional Original Income. This study takes the study locus in the Regional Government of Bolaang Mongondow Regency, North Sulawesi, where researchers focus on formulating a strategy model for utilizing Regional Original Income to be used as much as possible for the benefit of the community. Regional Original Income (PAD), according to Law Number 1 of 2022 concerning Central and Regional Financial Relations, is regional income obtained from regional taxes, regional levies, results of managing separated regional assets, and other legitimate regional original income in accordance with laws and regulations. The role of regional taxes and regional levies is very strategic in providing significant contributions as a source of PAD revenue. However, based on the findings of researchers at the study locus, the dependence of regional governments on balancing funds and investment funds sourced from the Central Government of the Republic of Indonesia is still very high. This means that efforts to increase regional fiscal capacity through Regional Original Income are still less than optimal, as attached in the data in table 1 below.

Table 1. PAD Contribution to Regional Revenue 2016-2020

| Year | Regional Income | PAD | Contribution |
|------|--------------------|-------------------|--------------|
| 2016 | 640.722.162,032,00 | 17.828.737.030,00 | 2,78 |
| 2017 | 679.933.798,492,80 | 6.321.609.551,80 | 3,87 |
| 2018 | 694.013.341,302,94 | 16.425.467.982,94 | 2,37 |
| 2019 | 671.502.937,484,71 | 24.174.311.734,71 | 3,60 |
| 2020 | 653.355.625,235,69 | 26.590.701.906,69 | 4,07 |

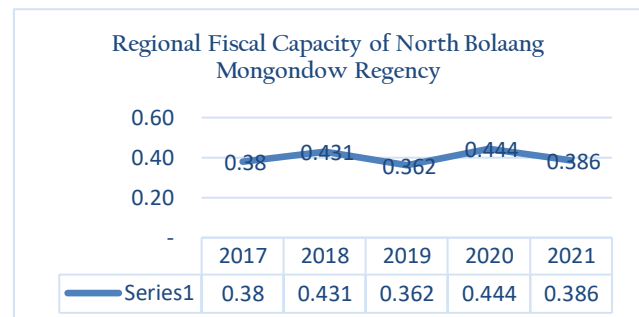
Data source: 2021 Regional Government Financial Report

The table above shows that the contribution of PAD in North Bolaang Mongondow Regency from 2016-2020 tends to increase, although in 2018, there was a slight decline, but from 2019 to 2020, it increased again. In fact, the table above shows that the strategy and efforts of the North Bolaang Mongondow Regency regional government have succeeded in increasing PAD in its working area, but based on the performance targets of the North Sulawesi Provincial Government, the increase in this figure is still far from what is expected, this is because the percentage increase in regional original income (PAD) in each district for each year has increased by at least 5% to realize fiscal independence in the working area of North Sulawesi Province (Bappeda North Sulawesi 2022). In order to support the increase in PAD in the North Sulawesi Province Regency, especially the North Bolaang Mongondow Regency, cooperation is needed from all parties, from the government as the maker and implementer of regulations to taxpayer participation. Taxpayer participation or community participation in increasing PAD is the involvement of the number of taxpayers who are obliged to

provide contributions by their tax objects in financing development implementation activities and being responsible for running the next development wheel. Community participation in paying Land and Building Tax is the active participation of every citizen where awareness and responsibility are needed, as well as punctuality of the community in paying taxes in the form of Land and Building Tax, which is adjusted based on the land area of the taxpayer concerned.

Table 1.3 shows that community participation in increasing PAD is outstanding, but these efforts have not been able to increase fiscal independence in the North Bolaang Mongondow Regency area. The results of the researcher's investigation are caused by several factors, including 1) lack of education in the community. efforts are needed to provide education and training to the community so that they can understand their role and how they can participate in increasing regional income; 2) private sector investment. In addition to community participation, full involvement of the private sector, including business actors and local business sectors, can be the key to diversifying Regional Original Income. Good cooperation between local governments and the private sector can create new opportunities to increase income; 3) regulations and policies. Factors of local government regulations and policies can also affect fiscal independence. Regulations that facilitate investment and local economic development can be supporting factors; 4) macroeconomic conditions. External factors such as general economic conditions, global market changes, or crisis situations can influence efforts to increase PAD.

Graph 1. Fiscal Capacity Index of North Bolaang Mongondow Regency



Looking at the graph above, the decrease in the Regional Fiscal Capacity Index can indicate various factors that affect the region's ability to manage and increase revenue and overcome fiscal burdens. In North Bolaang Mongondow Regency, there are several aspects that are the causes, including: 1) Suboptimal exploration of potential sources of regional revenue. If PAD sources experience a decline in economic activity, lack of investment, and decline in key sectors, this can directly affect regional fiscal activity; 2) weak bureaucratic competence in the field of taxation. At least this has an impact on regional fiscal activity, which ultimately only depends on the General Allocation Fund (DAU), Special Allocation Fund (DAK), or other transfer funds from the central government, which results in limited improvisation of regional fiscal capacity; 3) ineffective taxes and levies. Researchers assess that the encouragement of regional governments to maximize taxes and levies is less than optimal. This is influenced by the weak enforcement of legal sanctions; and 4) suboptimal management of natural resources. The potential of flora and fauna that are not exploited effectively

ultimately has a negative impact on regional fiscal capacity. Various efforts have been made by the Regional Government of North Bolaang Mongondow Regency to boost the increase in PAD in accordance with the target set by the North Sulawesi Provincial Government, but these efforts have not been fully successful, the efforts that have been made include: 1) bringing tax and levy services closer to taxpayers through existing technology, such as taxpayer payments through ATM outlets, mobile banking applications and payments through the QRIS Application, data shows that during the 2022 period, 107 taxpayers used this technology; 2) the existence of a tax amnesty policy for taxpayers who have been in arrears for a long time or who have not reported their assets in order to accelerate the increase in PAD in the North Bolaang Mongondow Regency area; 3) creating a business climate with an investment system, both investment through the local government and through investors outside the region (both local and foreign), data shows that the amount of regional investment in the form of dividends (capital participation by the local government) since 2016-2022 amounted to IDR. 5,710,611,521 with the following details: in 2016, it was Rp. 565,464,506, in 2017, it was Rp. 886,839,194, in 2018, it was Rp. 1,055,651,225, in 2019, it was Rp. 596,478,408, in 2020, it was Rp. 826,924,358, in 2021, it was 717,084,719, and in 2022, it was Rp. 1,062,169,111, while investment from external parties in the form of cooperation in various business fields for 2023 amounted to Rp. 9,463,628,196,748.00.

Management of Regional Original Income to maintain independence and sustainability of development in North Bolaang Mongondow Regency. By having sufficient PAD, local governments can be more flexible in planning and implementing development programs and improving the quality of services to the community. Thompson, P. N. (2017) explained that the effectiveness of managing Local Original Income could introduce diversification of local income sources, reduce the risk of economic uncertainty, and increase regional financial stability. Meanwhile, Lewis, B. D. (2017) explained that sufficient fiscal revenue can enable local governments to provide better public services to the community. This includes education, health, infrastructure, and various other services that support community welfare. By utilizing local economic potential, PAD management can provide impetus for the development of regional economic sectors. This can create jobs, stimulate economic growth, and increase community income.

This study fills the gap by presenting an in-depth study of strategies for increasing Local Revenue (PAD) in underdeveloped regions, especially North Bolaang Mongondow Regency, which has not been widely studied so far. The primary focus of this study lies in the integration of various strategic factors such as education for taxpayers, utilization of digital technology in tax services, optimization of regional and private investment, and improvement of fiscal regulations. In addition, this study also highlights the effectiveness of the tax amnesty policy and how it contributes to increasing PAD, which is still rarely explicitly evaluated at the regional level. The lack of studies on the relationship between local government investment and increasing PAD and weak law enforcement in the taxation system are also gaps that this study tries to answer. The main novelty of this study is the preparation of a PAD increase strategy model based on an integrated approach that is adjusted to the conditions of underdeveloped regions, as well as the utilization of local empirical data longitudinally (2016–2022), which is rarely used in similar studies. This study also

adopts best practices from developed countries, such as the implementation of a periodic fiscal audit system, the use of information technology for budget transparency, and the provision of fiscal incentives for high-achieving regions, which are contextualized into local budgetary conditions. Thus, this study not only provides theoretical contributions to the literature on fiscal decentralization but also offers practical solutions for increasing fiscal capacity and regional independence in a sustainable manner.

METHOD

This research uses descriptive research with a qualitative approach. This method refers to the identification or characteristics that distinguish groups of people, objects, and events that cannot be generalized. Silalahi, U (2018). Descriptive qualitative research involves the process of conceptualization and results in the formation of a classification scheme. The data used are secondary data sourced from publications, namely books, journals, newspapers/magazines, websites, and policy documents related to problems. Jogyianto Ramdhan, M. (2021).

The analytical knife in this article is quoted from the opinion of Nursafitra (2019), who emphasized that factors for increasing Regional Original Income can be with several aspects, including 1) institutional factors. Institutions focus on formulating PAD policies by identifying and inventorying all regional assets, including land, buildings, and other natural resources. Optimize these assets to increase PAD, such as through leasing or business cooperation with the private sector. Review the structure of regional taxes and levies to ensure that the rates are fair, efficient, and applicable. Providing training to employees in regional financial institutions to improve their understanding of financial management and tax administration; 2) governance factors. Governance focuses on the effectiveness and efficiency of regional tax and levy collection by increasing community compliance in paying taxes, regulating the implementation of tax collection by utilizing electronic transactions, and supervising the collection with technological tools to monitor and audit periodic inspections, compiling performance indicators for supervision, and providing sanctions for taxpayers and levy payers to the community or business actors who do not comply with paying taxes; 3) personnel factors. Personnel focuses on training and development, employee empowerment and involvement, awards and incentives, performance evaluation, and feedback.

The data analysis technique used in this study is the SWOT analysis technique with a qualitative approach consisting of Strengths, Weaknesses, Opportunities, and Threats. This technique is carried out by evaluating internal and external factors that affect the performance of an organization or entity, in this case, the fiscal capacity of the region in the form of Regional Original Income in North Bolaang Mongondow Regency. Based on the problem phenomenon in the study locus, the definition of SWOT is described based on the results of interviews and conclusions drawn by researchers, then the mapping of strengths, weaknesses, opportunities, and threats for the results of the SWOT analysis in this study can be explained in table 4.2 mapping in the SWOT analysis is the result of identification as a pre-analysis. Salim, M. A., & Siswanto, A. B. (2019).

Table 2. SWOT Analysis of Strategies to Increase Local Original Income in North Bolaang Mongondow Regency

| Internal Factors | | External Factors | |
|---|---|--|---|
| Strenght | Weakness | Opportunity | Threat |
| <ul style="list-style-type: none"> • Regulations • Methods and innovations in tax sector revenue • Management agencies | <ul style="list-style-type: none"> • Availability of Human Resources • Community Support • Bureaucratic Behavior • Low financial literacy • PAD sources still come from taxes and levies | <ul style="list-style-type: none"> • Optimization of natural resources • Development of leading sectors • Improvement of infrastructure • Existence of government programs | <ul style="list-style-type: none"> • High cases of corruption in Indonesia • PAD increase is still very low • Community and business participation is still low • Investment sector is still focused on the agricultural sector |

Source: Managed by Researchers, 2023

RESULTS AND DISCUSSION

a. Factors Supporting the Increase in PAD in North Bolaang Mongondow Regency

The sustainability of a region does not only depend on the amount of budget allocation from the central government, but also requires income from the region itself. The central government's policy of giving the widest possible authority to each region to develop leading sectors into sources of PAD is a wise breakthrough in an effort to reduce the burden on the state to realize development in all fields. In order to support this policy, various regulations have been issued by the regional government of North Bolaang Mongondow Regency in order to accelerate the realization of high PAD to increase development and welfare for all levels of society, this is in line with the results obtained from interviews with informants related to supporting factors for increasing PAD in North Bolaang Mongondow Regency, as follows:

1. Institutional Factors

The regional fiscal improvement involves various institutional aspects that must be considered and managed properly. Effective institutions can help local governments better manage their fiscal resources, increase revenue, and improve community welfare. The results of the study show that from 2012 to 2023, local governments have issued various regulations to increase local revenues, both related to tax management and regional levies. These regulations are in the form of Regional Regulations, which aim to protect local governments from unwanted things. Although the regulations have been passed, regional income has not had a significant impact on development in the North Bolaang Mongondow Regency area. [Christia, A. M., & Ispriyarso, B. \(2019\)](#) explained that local government regulations help establish rules related to regional income, such as taxes and levies. This allows local governments to raise the funds needed to finance local development projects. Meanwhile, reasonable regulations support the principle of regional autonomy, allowing local governments to make their own decisions regarding the management of local finances and resources. This provides

flexibility in addressing special needs and supporting local economic development. The results of the study show that tax sector revenue in North Bolaang Mongondow Regency is based on Regional Regulation Number 9 of 2012 concerning Rural and Urban Land and Building Tax; although the regulation is quite old, it is able to provide a positive impact on the progress of regional development. The Regional Government has done various ways so that PAD can continue to increase every year; various innovations are carried out with digitalization systems, and traditionally, the goal is for the community and business actors to get convenience and be able to contribute continuously to the progress of their own regions. [Sunarso, H. S., & SH, M. \(2023\)](#) emphasized that by providing regulations that support local investment, local governments can encourage economic growth in their regions. This can include tax incentives, licensing facilities, and other rules that support local businesses and business activities. The results of the study show that some people and business actors who are taxpayers are reluctant to pay taxes because the tax burden to be paid has piled up due to delays and fines imposed by the managing agency. The local government, through its policies, has issued various regulations such as tax amnesty or reduction in the number of deductions from the tax value given; this is done by the local government to provide convenience to taxpayers so that they are always involved in local government programs. Related to this statement, [Hastuti, P. \(2018\)](#) emphasized that the unwillingness of the community and business actors to pay taxes, which is caused by the accumulated tax burden due to delays and fines, can be a serious problem for government tax revenues. If the tax burden accumulates due to various delays and fines imposed, this can put significant financial pressure on taxpayers. The accumulation of high fines can make tax obligations increasingly difficult to pay. This statement is in line with what was stated by [Suryani, S., & Ramadhan, S. \(2017\)](#), which states that some business actors or individuals may face financial difficulties that cause delays in tax payments.

If they are unable to pay their taxes on time, the increasing fines can create an unmanageable financial burden. At the same time, PAD is designed to ensure balance in regional development. This can involve fair allocation of funds and other policies that support equitable growth in various parts of a region. Meanwhile, [Khusaini, M. \(2018\)](#) explained that some taxpayers may not fully understand the legal consequences of not paying taxes on time. This ignorance can be a factor that drives non-compliance behavior. For this reason, it is necessary for the regional government to be firm in updating and simplifying the taxation system to make it fairer and more understandable to taxpayers. In addition, [Jan, T. S. \(2022\)](#) explained that it is essential to provide incentives to taxpayers who pay on time and provide tax payment facilities that take into account difficult financial situations. The results of the study show that so far, the source of PAD for North Bolaang Mongondow Regency still comes from the tax and levy sector. The highest levy comes from business actors, especially tourism sector entrepreneurs. The tourism industry contributes significantly to increasing PAD, in addition to income tax from ASN services, health services, and other real sectors. If the local government wants to expand its PAD, it should focus on one sector so that it can know what causes problems in implementing the program.

This statement is not in line with the results of research by Cornia, G. C., & Nelson, R. D. (2010), which emphasizes that diversifying sources of income into several sectors can provide stability and diversity of income and reduce the risk of being utterly dependent on one particular sector. By diversifying sources of income, local governments can be more resilient to economic fluctuations and changes in the conditions of specific sectors. If one sector experiences a decline, income from other sectors can still be used as financial support.

This is also in line with the results of research by Irawan, E. (2023), which revealed that relying on only one sector can increase significant economic risk. For example, if a region is highly dependent on the tourism sector and a natural disaster or global crisis occurs, the impact can be very detrimental to the region's finances. Based on the results of the research and discussion above, the researcher concluded that in order to optimize local revenue, the North Bolaang Mongondow Regency government needs to ensure that information about tax obligations, collection procedures, and fines is easily accessible and understood by the public. In addition, local governments also need to provide alternative dispute resolution mechanisms that can help taxpayers resolve financial problems without having to face excessive fines. By taking a holistic and responsive approach to taxpayer concerns, the government can build trust and improve compliance with tax obligations. By optimizing revenue potential from several sectors, local governments can achieve maximum benefits from their resources and stimulate overall economic growth. Local governments also need to adapt to changes in the economy, technology, and policy by implementing a model for increasing regional fiscal capacity because local governments can conduct an in-depth analysis of the potential resources and comparative advantages of their regions to design optimal revenue policies.

2. Management Factors

Human Resource Management (HR) administration, also known as personnel management, has a crucial role in improving regional fiscal capacity. Fiscal capacity refers to the capacity of local governments to manage revenue and expenditure in order to achieve development and public service goals. The results of the study indicate that there are a lot of human resources managers managing PAD, but there are no experts in PAD improvement strategies. Re-recruitment or improvement of the capabilities of existing ASNs is needed. The limitations of HR like them have a significant impact on regional apparatus organizations in efforts to prioritize which sectors need to be studied and used as the primary source in increasing PAD in North Bolaang Mongondow Regency. (Cayer, J. (2009) explains that human resource management helps in recruiting, managing, and developing human resources efficiently. By placing employees in fields and tasks that are in accordance with their expertise and competence, regions can optimize the contribution of each employee. In addition, effective budgeting requires a good understanding of human resource needs in various government sectors. Good human resource management will help determine the proper budget allocation for workers in multiple units or programs.

The results of the study show that community involvement in natural resource management is always involved in order to provide understanding and contribution to increasing PAD in North Bolaang Mongondow Regency. One sector that consists of the community is the tourism sector. Tourism destinations

are the goal of the community and business actors, who are to jointly develop the tourism sector to become a destination for travelers. So far, the tourism sector has contributed a lot to PAD in the region in the form of hotel taxes, entrance ticket fees during holidays, and so on. This response is different from the statement of one of the informants, who emphasized that the community does not fully understand what their responsibilities should be for development progress, the source of regional income from the tax sector is still very far from what is expected, the existence of corrupt behavior from public officials makes the community reluctant to participate in development progress. They are afraid to pay if the money is later used only for the interests of officials. On the other hand, the challenge from the Regional Government, based on the confession of one of the Regional Government employees, said that not all people want to be invited to contribute to the region directly. Various reasons were revealed, including the behavior of government officials. If it is like this, whatever we say will be very difficult to accept. The informant's statement above is in line with what was said by Febianti, F. (2019) that if the community is dissatisfied with the public services provided by the local government, they may tend to be more reluctant to fulfill their tax obligations. The perception that taxes do not provide benefits equivalent to the value paid can be an obstacle. Another reason put forward by Tohopi, R., Nani, Y. N., & Aneta, Y. (2021) in their research results emphasized that distrust of transparency and accountability in local government financial management can make people reluctant to pay taxes. If people feel that tax funds are used inefficiently or even corrupt, they may be less motivated to contribute. Based on the research results and discussion above, the researcher concluded that it is essential for local governments to provide clear and transparent information regarding the use of tax funds and implement actions to improve accountability. This is in order to ensure strict supervision and law enforcement against tax avoidance and corruption practices to increase public trust. The lack of public understanding of the importance of taxes as a source of income for development and the provision of public services can be an obstacle. Lack of education and information can lead to misunderstanding of the contribution of taxes to public welfare. Through employee training and development, HR management can improve the competence and capabilities of regional employees. Employees who have better skills and knowledge can make a greater contribution to improving the efficiency and effectiveness of public services.

3. Personnel Factors

Personnel and behavioral factors of officials play a key role in optimizing regional fiscal revenues. The quality and behavior of government officials, including tax officials and retribution officers, can affect the efficiency and effectiveness of revenue collection. Professional and integrity tax officials and retribution officers can provide better services to taxpayers. Tax compliance can be improved if officials are considered credible and trustworthy agents. The results of the study show that the communication skills of government employees in educating the public are less than optimal in providing clear and easy-to-understand information to taxpayers. Effective communication can motivate taxpayers to fulfill their obligations. In fact, good communication is the key to understanding the needs and interests of taxpayers, encouraging them to comply, and providing clear and accurate information about tax obligations.

Based on the results of an interview with one of the business actors, it was assessed that weak communication skills can cause difficulties in conveying clear and easy-to-understand information to taxpayers. This can make it difficult for taxpayers to understand their obligations, payment procedures, and the consequences of non-compliance. explained that ineffective communication can result in a lack of taxpayer involvement in the tax collection process. Taxpayers may feel uninvolved or under-supported in understanding the tax process. If communication is inadequate, taxpayers may perceive unfairness and non-transparency in the tax collection process. This can harm taxpayer trust in local governments and increase the risk of non-compliance. Akhmadi (2021) emphasized that to overcome poor communication, local government employees need to provide regular training to employees to improve their communication skills. This includes verbal, written, and non-verbal communication skills. In addition, regular performance audits and evaluations should be conducted to ensure that employees have adequate communication skills.

The results of the study indicate that the lack of employee commitment to the quality of tax retribution services can have a negative impact on retribution collection and, more broadly, on regional fiscal revenues. Low commitment from employees can lead to a decrease in service quality, lack of efficiency, and potential loss of trust from taxpayers. Lack of commitment to service quality can make taxpayers less motivated to fulfill their obligations. This can increase the level of non-compliance and negatively affect retribution collection. Ambarwati, R. B., & Waluyo, W. (2020) explained that poor service can harm the image of the local government. Taxpayers who are dissatisfied with retribution services may associate it with the inability of the local government to provide good service. The results of the study indicate that the lack of understanding of local government employees about tax and retribution regulations can be a serious problem that can affect the efficiency and effectiveness of fiscal revenue collection. Poor understanding can lead to errors in implementing regulations, providing incorrect information to taxpayers, and can even increase the risk of corrupt practices. Weiss, D. C. (2008), in his research results, emphasized that a lack of understanding can make it difficult for employees to provide accurate guidance to taxpayers. This difficulty can increase the level of uncertainty and dissatisfaction of taxpayers. Lack of knowledge of regulations can result in deviations from legal provisions, which

can be a source of conflict and reduce public trust in the tax system. Based on the research results and discussion above, the researcher concluded that weak communication skills can be an obstacle to providing tax education to the public.

Providing unclear information can hinder efforts to improve public understanding of the importance of paying taxes. Lack of commitment to service quality can lead to distrust and perceptions of non-transparency. Taxpayers may feel that the retribution collection process is not carried out honestly or fairly. For this reason, the local government can collaborate with tax experts or tax legal consultants to provide in-depth training and consultation to local government employees. In addition, the local government of North Bolaang Mongondow Regency can also form a special team or internal unit that focuses on understanding and implementing tax and retribution regulations. This team can help provide guidance and answers to complex questions. Regional Heads can also encourage the commitment of officials at the Regional Government Organization level to improve employee understanding of tax and levy regulations. Leaders who support this initiative can motivate employees to be more committed.

a. Intensification Strategy to increase PAD in North Bolaang Mongondow Regency

The qualitative approach of the SWOT matrix as developed by Kearns displays eight boxes, namely the top two are external factor boxes (Opportunities and Challenges) while the two boxes on the left are internal factors (Strengths and Weaknesses). The other four boxes are strategic issue boxes that arise as a result of the meeting point between internal and external factors.

Table 3. Matrics SWOT Kearns

| | OPPORTUNITY | THREATS |
|----------|------------------------|----------------|
| STRENGTH | Comparative Advantage | Mobilization |
| WEAKNESS | Divestment /Investment | Damage Control |

Table 4. Formulation of Strategy to Increase Local Original Income in North Bolaang Mongondow Regency (SO, WO, ST & WT Strategy) Based on Qualitative Approach

| Internal Faktor Analysis Summary (IFAS) | | STRENGTHS (S) | WEAKNESSES (W) |
|---|--|---|---|
| eksternal Faktor Analysis Summary (EFAS) | | 1. Regulation | 1. Availability of Human Resources |
| | | 2. Methods and innovations in tax sector revenue | 2. Community Support |
| | | 3. Management agencies | 3. Bureaucratic Behavior |
| | | | 4. Low financial literacy |
| | | | 5. PAD sources still come from taxes and levies |
| OPPORTUNITIES (O) | | SO STRATEGY: | WO STRATEGY: |
| 1. Optimization of natural resources | | 1. Using regulations as a basis for optimizing natural resources | 1. Striving for human resources for the utilization of natural resources |
| 2. Development of leading sectors | | 2. Making methods and innovations as the development of leading sectors | 2. Maximizing Community Support for the development of leading sectors |
| 3. Improvement of infrastructure. Existence of government programs. | | | 3. Minimizing bureaucratic complications for the achievement of government programs |
| | | | 4. Maximizing PAD sources for infrastructure |

| | 3. Maximizing tax and levy revenues for infrastructure improvement | 5. improvement Increasing financial literacy to increase the role of the community in increasing PAD |
|--|--|---|
| | 4. Making PAD management agencies the basis for implementing government programs | |
| THREATS (T) | STRATEGI ST | STRATEGI WT |
| 1. High cases of corruption in Indonesia | 1. Using regulations as a basis to prevent deviations | 1. Recruiting competent human resources to minimize corrupt behavior |
| 2. PAD increase is still very low | 2. Making methods and innovations as a way to increase PAD which is still very low | 2. Increasing public support for increasing PAD |
| 3. Community and business participation is still low | 3. Increasing the role of management agencies to increase community and business actor participation | 3. Changing bureaucratic behavior so that community and business actors' participation increases |
| 4. The investment sector is still focused on the agricultural sector | 4. Making regulations a driver of investment interest | 4. Making financial literacy the basis for increasing public understanding |
| | | 5. Making PAD sources a target for future investment |

Source: Data processed by researchers, 2023

Tabel 5. Internal Faktor Analysis Summary (IFAS)

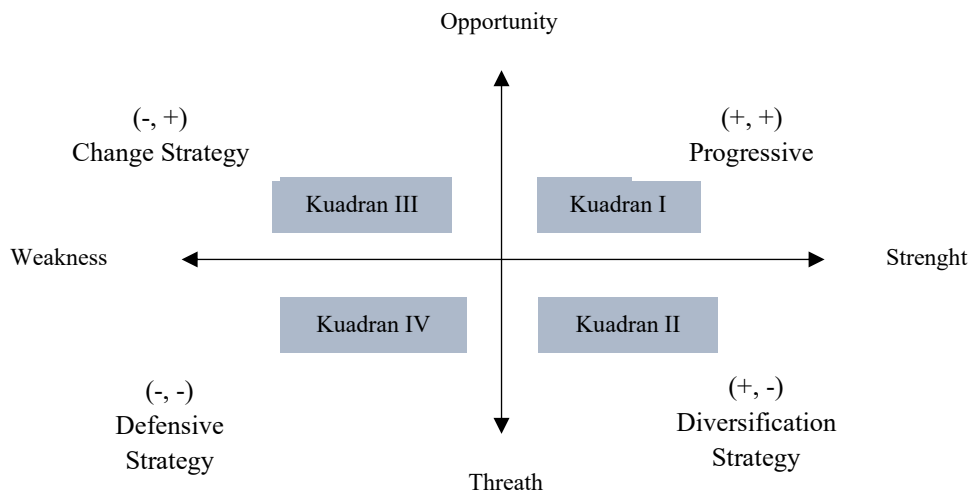
| NO. | STRENGTH | BOBOT | RATING | TOTAL |
|--|---|-------|--------|-------|
| 1. | Regulations | 0,50 | 5 | 2,50 |
| 2 | Methods and innovations in tax sector revenue | 0,33 | 5 | 1,67 |
| 3 | Management agencies | 0,17 | 3 | 0,5 |
| Total Power | | | | 4,67 |
| NO. | WEAKNESS | BOBOT | RATING | TOTAL |
| 1. | Availability of Human Resources | 0,25 | 5 | 1,25 |
| 2. | Community Support | 0,17 | 4 | 0,67 |
| 3. | Bureaucratic Behavior | 0,25 | 5 | 1,25 |
| 4. | Low financial literacy | 0,17 | 3 | 0,50 |
| 5. | Sources of PAD still come from taxes and levies | 0,17 | 5 | 0,83 |
| Total Weaknesses | | | | 4,50 |
| Difference Total Strengths -Total Weaknesses (S-W = X) | | | | 0,17 |

Source: Data processed by researchers, 2023

Tabel 6. Eksternal Faktor Analysis Summary (EFAS)

| NO. | OPPORTUNITY | BOBOT | RATING | TOTAL |
|--|---|-------|--------|-------|
| 1. | Optimization of natural resources | 0,30 | 5 | 1,50 |
| 2. | Development of leading sectors | 0,30 | 5 | 1,50 |
| 3. | Infrastructure improvement | 0,20 | 5 | 1,00 |
| 4. | Government programs | 0,20 | 3 | 0,60 |
| Total Chances | | | | 4,60 |
| NO. | THREAT | BOBOT | RATING | TOTAL |
| 1. | High cases of corruption in Indonesia | 0,333 | 5 | 1,67 |
| 2. | PAD increase is still very low | 0,222 | 5 | 1,11 |
| 3. | Public and business participation is still low | 0,333 | 4 | 1,33 |
| 4. | Investment sector is still focused on the agricultural sector | 0,111 | 3 | 0,33 |
| Total Threats | | | | 4,44 |
| Difference Total Strengths -Total Weaknesses (O-T = Y) | | | | 0,16 |

Source: Data processed by researchers, 2023.



Based on the results of the IFAS and EFAS analysis on the page above show that the strategy for increasing the Regional Original Income (PAD) of Bolaang Mongondow Regency is in quadrant I with an emphasis on the Progressive Strategy better known as the ST Strategy (Strength Opportunity) [Jatmiko, et al. \(2021\)](#). This position indicates a strong and promising organization. The recommended strategy given is Progressive, meaning that the organization is in prime and stable condition so that it is possible to continue to expand, increase growth and achieve maximum progress.

a. Formulation of Intensification Strategy for Increasing Local Original Income of North Bolaang Mongondow Regency with QSPM Approach

The Quantitative Strategic Planning Matrix (QSPM) is a tool that allows strategists to objectively evaluate alternative strategies based on external and internal critical success factors identified in the previous analysis. One of the advantages of the

QSPM is that its sets of strategies can be observed sequentially and simultaneously. There is no limit to the number of strategies that can be evaluated or the number of sets of strategies that can be followed at once when using the QSPM. The top row of the QSPM contains the alternative strategies derived from the SWOT Matrix. Conceptually, the QSPM determines the relative attractiveness of strategies built on external and internal critical success factors. The relative attractiveness of each strategy within a set of alternatives is calculated by determining the cumulative impact of each external and internal critical success factor. Any number of alternative sets of strategies can be included in the QSPM, and any number of strategies can be included within each set, but only strategies within a given set are evaluated relative to each other. [David, M. E, et. al \(2017\)](#). The results of the weighting and assessment of the attractiveness scores of internal and external strategic factors as alternatives to the best strategic decisions that must be implemented immediately in the QSPM analysis are as follows:

Tabel 7. Matrix External Factor Evaluation (EFE)

| NO. | EXTERNAL KEY FACTOR | Weight | RATING | TOTAL |
|--------------------|---|--------|--------|-------|
| OPPORTUNITY | | | | |
| 1. | Optimization of natural resources | 0,16 | 5 | 0,79 |
| 2. | Development of leading sectors | 0,16 | 5 | 0,79 |
| 3. | Infrastructure improvement | 0,11 | 5 | 0,53 |
| 4. | Government programs | 0,11 | 3 | 0,32 |
| THREAT | | | | |
| 1. | High cases of corruption in Indonesia 0.158 | 0,158 | 5 | 0,79 |
| 2. | PAD increase is still very low 0.105 | 0,105 | 5 | 0,53 |
| 3. | Community and business participation is still low 0.158 | 0,158 | 4 | 0,63 |
| 4. | Investment sector is still focused on the agricultural sector 0.053 | 0,053 | 3 | 0,16 |
| Total | | 1.000 | | 4,53 |

Source:
Data
processed
by
researchers

, 2023.

Tabel 8. Matrix Internal Factor Evaluation (IFE)

| NO. | INTERNAL KEY FACTOR | WEIGHT | RATING | TOTAL |
|-----|---------------------|--------|--------|-------|
|-----|---------------------|--------|--------|-------|

| STRENGTH | | | | |
|----------|---|-------|---|------|
| 1. | The existence of regulations | 0,17 | 5 | 0,83 |
| 2. | Methods and innovations in tax sector revenue | 0,11 | 5 | 0,56 |
| 3. | Management agencies | 0,06 | 3 | 0,17 |
| WEAKNESS | | | | |
| 1. | Availability of Human Resources | 0,17 | 5 | 0,83 |
| 2. | Community Support | 0,11 | 4 | 0,44 |
| 3. | Bureaucratic Behavior | 0,17 | 5 | 0,83 |
| 4. | Low Financial Literacy | 0,11 | 3 | 0,33 |
| 5. | PAD sources still come from taxes and levies | 0,11 | 5 | 0,56 |
| Total | | 1.000 | | 4,56 |

Source: Data processed by researchers, 2023.

The results of the QSPM analysis show that the TAS figure for external strategic factors of 4.53 is smaller than the TAS figure for internal strategic factors of 4.56. This figure shows that the right strategy to increase PAD in North Bolaang Mongondow Regency to be implemented is "Strategic Intensification." Based on the results of the SWOT and QSPM analyses, it is stated that the Bolmut Regency Government needs to be more proactive in efforts to increase PAD. Although several efforts and strategies have been made so far, the desired targets and achievements still do not meet the expectations of the local government. The results of the SWOT analysis and QSPM analysis have similarities in that the local government is expected to be more active in carrying out or creating new strategies to strengthen the increase in PAD in the Bolmut Regency area.

Therefore, to realize the wishes of the local government, we as researchers try to recommend several strategies or steps that need to be taken by the Bolmut Regency Government by emphasizing the intensification strategy. The intensification strategy is to improve the regional income management system by utilizing information technology related to registration, data collection, determination, and collection of regional taxes and regional levies, while the factors for increasing the receipt of Regional Original Income (PAD) are taxpayer compliance, performance of regional leaders, growing receipt for regional taxes and regional levies, and also regional government spending. According to Pohan, C. A. (2021). intensification strategy is an effort, action, or effort to increase revenue so that the desired target or budget that has been set in the previous APBD can be achieved or realized by collecting more actively, strictly, and carefully'. Meanwhile, according to Nurokhman, H. (2016), an intensification strategy is an effort made by the government to increase regional revenue, which is achieved by increasing the compliance of existing tax subjects. David, F. R., & David, F. R. (2017) stated that the implementation of an intensification strategy in an organization requires intensive efforts to improve the competitive position of existing product companies. Based on the results of the SWOT analysis and various views from the experts above, the researcher argues that the following are included in the intensification strategy category to increase Regional Original Income in North Bolaang Mongondow Regency:

1. Market Penetration Strategy

This is done by encouraging the growth of the local economic sector to increase corporate and taxpayer income, providing incentives to local business actors to support regional economic development, strengthening the tourism sector,

creative industries, and other sectors that have high-income potential, and tightening law enforcement on taxes and levies to ensure better compliance rates.

2. Market Development Strategy

This can be done by the North Bolaang Mongondow Regency government by encouraging the development and growth of micro, small, and medium enterprises (MSMEs) through training, mentoring, and financial support, developing tourism infrastructure and supporting services, supporting collaboration between universities, research institutions, and the private sector for innovation, and providing training and education that is relevant to the needs of the local job market.

3. Product Development Strategy.

This can be done by the North Bolaang Mongondow Regency government by creating more efficient and responsive public services to the needs of the community, integrating information technology to improve accessibility and quality of services, developing attractive tourism packages to increase the number of visitors, and encouraging economic empowerment initiatives, such as the formation of cooperatives or joint business groups..

CONCLUSION

This study identifies critical institutional, governance, and personnel-related challenges that constrain the optimization of Local Revenue in North Bolaang Mongondow Regency. The findings show that insufficient public literacy regarding tax obligations, limited access to fiscal information, and weak institutional mechanisms for taxpayer engagement significantly undermine compliance and revenue collection efficiency. Governance-related weaknesses—particularly the lack of transparency in the management of retribution funds and inadequate quality of public services—further diminish public trust in the system. Personnel limitations, including insufficient legal and technical competencies of civil servants, contribute to administrative inefficiencies and potential revenue leakages.

The strategic framework developed through SWOT analysis provides actionable directions: activating untapped economic sectors such as tourism and creative industries (market penetration), enhancing the ecosystem for MSMEs through infrastructure and partnership support (market development), and investing in digital public services and professional capacity-building (product development). Collectively, these strategies aim to strengthen regional fiscal capacity and reduce dependency on central transfers.

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