

# THE EFFECTIVENESS OF LOCAL TAXES AND LOCAL LEVIES ON THE OPTIMIZATION OF LOCAL ORIGINAL REVENUE (PAD)

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## A B S T R A C T

The implementation of regional autonomy requires local governments to be independent in financing development and public services, one way of doing this is through optimizing Regional Original Revenue (PAD). Regional taxes and levies are two main components of PAD, the effective management of which significantly determines regional fiscal independence. The purpose of this study is to analyze the influence of the effectiveness of regional taxes and levies on optimizing Baubau City's PAD. Sampling technique using total sampling, so that the entire population was used as a research sample. The research object focused on the Regional Revenue Agency (Bapenda) of Baubau City. Data were obtained through documentation of local government financial reports and analyzed with a quantitative approach using methods based on multiple linear regression analysis, the results of the study indicate that regional taxes have a positive and significant influence on optimizing PAD, while regional levies have a positive impact but do not have a significant effect. Simultaneously, both have a significant influence on optimizing PAD, with the dominant contribution coming from regional taxes. The conclusion of this study confirms that efforts to optimize PAD in Baubau City are more supported by regional tax revenues, while the contribution of levies still needs to be strengthened through collection innovations, improving the quality of public services, and digitalizing the management system.

## INTRODUCTION

Regional autonomy in Indonesia grants broad authority to local governments to independently manage and develop their territories' potential. Since the enactment of Law No. 23 of 2014 concerning Regional Government, regions have been required to independently finance development and public services without relying too heavily on central government transfers. Regional independence can be measured through several indicators, one of which is Regional Original Income (PAD), which reflects a region's ability to meet its fiscal needs from internal sources.

In the context of central and regional financial balance, Law Number 33 of 2004 and Law Number 28 of 2009 stipulate that Regional Original Revenue (PAD) is derived from regional taxes, regional levies, revenue from the management of separated regional assets, and other legitimate sources. Of these elements, regional taxes and levies are the largest contributors, contributing significantly to regional development financing. However, implementation shows that not all regional governments are able to manage this potential optimally due to low taxpayer compliance, limited apparatus, and weak oversight.

Baubau City in Southeast Sulawesi Province is one of the autonomous regions facing challenges in optimizing PAD. Data from the Baubau City Regional Revenue Agency (Bapenda) shows that the effectiveness of collecting several types of taxes and levies is still low, so that its contribution to PAD is not optimal Nalien, (2025) . This phenomenon is in line with the research of Sari & Mustaqim, (2024) who found the effectiveness of regional levies in Baubau only reached 85.14% with a low level of community participation. A similar thing was expressed by Hasni, (2019) that the contribution of market service levies to Baubau PAD was only around 0.12%–0.91% in the 2015–2017 period.

Local Original Revenue (PAD) is one source of income earned by local governments from economic activities within their jurisdiction. PAD includes local taxes, levies, business revenues owned by the local government, and other revenue sources originating from the local area (Fatmala et al., 2024)

According to Rahmat et al., (2022) , effective PAD can increase the ability of local governments to realize agreed regional original income by comparing it to predetermined targets based on regional potential.

Taxes are the transfer of a portion of the public's wealth to the state treasury, which is used to finance routine expenditures and other state needs. The surplus is used for *public saving*, which is the main source for financing *public investment*. (Official, 2022) .

Levies are a vital source of local revenue for financial independence. It is crucial to manage them professionally, with attention to efficiency, effectiveness, and fairness. Among the general service levies, market levies are included (Sari, 2015) .

Previous research has yielded mixed results regarding the influence of regional taxes and levies on PAD. Ridho Nugroho (2020) concluded that both had significant effects, both simultaneously and partially, while Sinaga (2025) found that only regional taxes had a significant effect. Research by Sirry (2020) even showed that regional taxes had no significant effect in Surabaya City. These varying findings indicate a research gap, particularly regarding the effectiveness of regional taxes and levies on optimizing PAD in regions with specific characteristics such as Baubau City.

## METHOD

Quantitative research is a type of research that utilizes numerical data and statistical analysis techniques to test hypotheses, draw conclusions, and understand the relationships between the variables studied. Quantitative research is a methodological approach that focuses on collecting numerical data, processing it through statistical analysis, and drawing conclusions based on the results. The use of quantitative research methods provides researchers with the opportunity to objectively test hypotheses, make broader generalizations across the population, and obtain empirical data that can strengthen research conclusions. The application of this method allows researchers to identify relationships between research variables, thus creating a more structured and valid understanding of the phenomenon being studied (Priyanda et al., 2022). This study uses a quantitative approach with an explanatory *research design* that aims to explain the causal relationship between the effectiveness of regional taxes and regional levies on optimizing Baubau City's Regional Original Income (PAD). This study, according to Jailani & Saksitha (2024), uses quantitative data, which is data in the form of calculations or numbers that can be calculated using units of calculation. The type of data used is quantitative data in the form of target figures and realization of regional tax revenue, regional levies, and PAD. Research data sources Secondary data can be obtained from various sources, including documents, official government publications, industry analysis reports from the media, websites, and the internet. In the process of collecting secondary data, researchers usually use the documentation method, namely by searching and reviewing documents that are related to the research topic. Literature such as books, journals, and online sources can be used by researchers as references in research activities. obtaining the necessary secondary data Ariyaningsih et al., (2023) and Kurniawati et al., (2022) . Population is the entire generalization area consisting of objects or subjects with certain characteristics, which have been determined by researchers to be studied and used as a basis for drawing conclusions (Sugiyono, 2017) . The population of this study is all data on targets and realization of regional tax revenue, regional levies, and PAD of Baubau City for the period 2020–2024. Because the amount of data is relatively limited and all data contain important information, the sampling technique used is saturated sampling ( *total sampling* ), namely the entire population is used as a research sample. The research was conducted at the Baubau City Bapenda Office located on Jalan Raya Palagimata, Lipu Village, Betoambari District, Southeast Sulawesi, with the implementation time from the proposal preparation stage to 2025. In this study, the data collection technique used is the documentation method which includes collecting data from various documents, archives, and other written sources relevant to the research phenomenon. The types of documents used can be notes, reports, letters, books, or other official documents. Through documentation studies, researchers can gain an understanding of the historical context, policies, events, and dynamics related to the research topic (Creswell, 2014) . Through this documentation technique, researchers collected official data issued by the Baubau City Bapenda related to the targets and realization of regional taxes, regional levies, and PAD. The data obtained was then processed to calculate the effectiveness of regional taxes and levies and analyzed to determine their impact on Regional Original Income. Furthermore, the data were analyzed using multiple linear regression with the help of the SPSS version 25 program. The analysis was carried out through a series of classical assumption tests (normality test, multicollinearity, autocorrelation, and heteroscedasticity) to ensure the model is suitable for use. The analysis was then continued with a t-test to determine the partial effect,

an F-test to test the simultaneous effect, and the calculation of the coefficient of determination ( $R^2$ ) to see how much the independent variable contributes to the dependent variable. The results of this analysis are expected to be able to provide accurate empirical evidence regarding the role of the effectiveness of regional taxes and regional levies in increasing the optimization of Baubau City's PAD.

## RESULTS & DISCUSSION

### Regional Tax Effectiveness

Regional tax effectiveness is calculated by comparing actual regional tax revenue with the annual target. The effectiveness of regional taxes and levies on local revenue (PAD) over the past five years (2020-2014) can be calculated using the following formula:

**Table 1.** Effectiveness of Regional Taxes

| Year | Regional Tax Targets | Regional Tax Realization | Effectiveness (%) | Criteria        |
|------|----------------------|--------------------------|-------------------|-----------------|
| 2020 | 28,175,000,000       | 28,536,944,268.75        | 101%              | Very Effective  |
| 2021 | 34,611,800,000       | 25,267,568,296           | 73%               | Less Effective  |
| 2022 | 36,320,000,000       | 35,828,333,231           | 99%               | Effective       |
| 2023 | 39,005,000,000       | 36,421,560,467           | 93%               | Effective       |
| 2024 | 43,980,365,332       | 36,411,765,652           | 83%               | Quite Effective |

Source: Data processed 2025

Based on The results of the calculations in the table above show a fluctuating trend in the effectiveness of Baubau City's regional taxes for the 2020-2024 period. 2020 recorded the highest achievement with a realization of 101% (Very Effective), indicating optimal collection performance. However, in 2021, effectiveness dropped sharply to 73% (Less Effective), allegedly due to the impact of the economic slowdown following the Covid-19 pandemic. Conditions improved again in 2022 with 99% (Effective) and remained stable in 2023 with 93% (Effective), albeit with a slight decrease. Meanwhile, in 2024, effectiveness decreased again to 83% (Fairly Effective), indicating challenges in maintaining consistent achievement of regional tax targets. Overall, regional tax effectiveness over the five years tended to be good, but still faced fluctuations that need to be anticipated through a more stable and sustainable collection strategy.

### Effectiveness of Regional Retribution

The effectiveness of regional levies is measured by comparing actual revenue with established targets. This calculation serves as an indicator of the regional government's success in collecting levies (Puspitasari, 2014) . The formula for regional levies effectiveness is as follows:

**Table 2** Effectiveness of Regional Retributions

| Year | Retribution Target | Realization of Retribution | Effectiveness (%) | Criteria        |
|------|--------------------|----------------------------|-------------------|-----------------|
| 2020 | 142,645,000        | 221,973,000                | 156%              | Very Effective  |
| 2021 | 234,220,000        | 192,354,000                | 82%               | Quite Effective |
| 2022 | 294,232,000        | 1,046,036,600              | 356%              | Very Effective  |
| 2023 | 708,990,000        | 603,626,000                | 85%               | Quite Effective |
| 2024 | 608,071,000        | 266,664,000                | 44%               | Ineffective     |

Source: Data processed 2025

Based on the calculations in the table above, the effectiveness of Baubau City's regional levies for the 2020–2024 period showed quite sharp fluctuations. 2022 achieved the highest achievement with a percentage of 356% (Very Effective), allegedly due to the collection of arrears and increased revenue

from business service levies such as building rentals, markets, and other public facilities. Conversely, 2024 recorded the lowest percentage at 44% (Ineffective), which was likely influenced by weakening economic activity, changes in regulations or tariffs, and declining compliance with retribution obligations. Overall, effectiveness over the five years was classified as unstable: two years were Very Effective (2020 and 2022), two years were Fairly Effective (2021 and 2023), and one year was Ineffective (2024). This condition emphasizes the need for more consistent management of retribution collection through improvements in the recording system, supervision, and diversification of retribution sources.

Optimization of PAD

Locally Generated Revenue (PAD) is a crucial source of revenue for local governments to finance the implementation of regional autonomy. Locally Generated Revenue (PAD) originates from regional taxes, regional levies, the management of separated regional assets, and other legitimate PAD sources. Data on Baubau City's PAD realization over the past five years provides an overview of the region's ability to tap its revenue potential.

PAD Effectiveness

PAD effectiveness demonstrates the ability of a local government to achieve the revenue targets set at the beginning of the fiscal year. This indicator is calculated by comparing total PAD realization with the total PAD target, then multiplying by 100 percent. The higher the resulting percentage, the more effective the local government's performance in collecting revenue from various PAD sources.

The PAD effectiveness percentage that approaches or exceeds 100 percent indicates that the revenue target can be achieved or even exceeded, while a percentage below 100 percent indicates that revenue realization has not yet met the set target.

Analyzing the effectiveness of local revenue (PAD) is crucial for assessing the success of tax and levy collection strategies, utilizing regional assets, and optimizing other revenue sources. By understanding the effectiveness of PAD from year to year, local governments can evaluate factors influencing the success or failure of achieving targets, allowing them to improve PAD management strategies in the future. The formula can be used:

| Table 3. Analysis of the Effectiveness of Regional Original Income (PAD) |                   |                    |                   |                 |
|--------------------------------------------------------------------------|-------------------|--------------------|-------------------|-----------------|
| Year                                                                     | PAD Target        | Realization of PAD | Effectiveness (%) | Criteria        |
| 2020                                                                     | 45,478,436,662.00 | 46,240,026,778.00  | 102%              | Very Effective  |
| 2021                                                                     | 52,493,300,561.00 | 50,902,138,365.00  | 97%               | Effective       |
| 2022                                                                     | 62,691,801,604.00 | 51,574,815,498.00  | 82%               | Quite Effective |
| 2023                                                                     | 63,367,875,821.00 | 52,901,750,159.00  | 85%               | Quite Effective |
| 2024                                                                     | 62,814,000,538.00 | 62,665,260,083.00  | 100%              | Very Effective  |

Source: Data processed 2025

Based on the calculations in the table above, it can be seen that Baubau City's PAD effectiveness for the 2020–2024 period fluctuated. In 2020 (102%) and 2024 (100%) it was classified as very effective, in 2021 (97%) it was still in the effective category, while in 2022 (82%) and 2023 (85%) it only reached the moderately effective category. This indicates that although Baubau City's PAD performance is generally good, target achievement has not been consistent each year.

Normality Test

A test was conducted to determine whether the residual data in the regression model was normally distributed. The test was conducted using the Shapiro-Wilk method because the sample size was <50. The test results showed a significance value of (greater than 0.05), thus concluding that the residual data were normally distributed. Furthermore, the results of graphical analysis using histograms and Normal PP Plots also showed a data distribution pattern that approached a normal distribution. Thus, the assumption of normality in the regression model has been met.

Table 4. Normality Test Results  
One-Sample Kolmogorov-Smirnov Test

### Unstandardized Residual

|                                                    |                |                     |
|----------------------------------------------------|----------------|---------------------|
| N                                                  |                | 5                   |
| Normal Parameters <sup>a,b</sup>                   | Mean           | .0000000            |
|                                                    | Std. Deviation | 7.30088652          |
| Most Extreme Differences                           | Absolute       | .197                |
|                                                    | Positive       | .166                |
|                                                    | Negative       | -.197               |
| Test Statistic                                     |                | .197                |
| Asymp. Sig. (2-tailed)                             |                | .200 <sup>c,d</sup> |
| a. Test distribution is Normal.                    |                |                     |
| b. Calculated from data.                           |                |                     |
| c. Lilliefors Significance Correction.             |                |                     |
| d. This is a lower bound of the true significance. |                |                     |

Sumber : Data diolah dengan SPSS 25

Based on the table calculations above, it shows the value significance is 0.200 which is greater than 0.05, so that the data meets the normality assumption. Based on the Kolmogorov-Smirnov normality test tax decision-making criteria, can concluded that data distributed normal, thus the normality requirements in the regression model have been met.

### Multicollinearity Test

A multicollinearity test is performed to ensure that there is no significant correlation between the independent variables. Severe multicollinearity can cause the regression coefficients to become unstable and biased in their interpretation. This test can be performed by examining the Variance Inflation Factor (VIF) and Tolerance values. If the *Tolerance value* is less than 0.10 or the VIF is greater than 10, multicollinearity is indicated. Conversely, if the Tolerance value is greater than 0.10 and the VIF is less than 10, the model is declared free of multicollinearity.

**Table 5.** Multicollinearity Test Results  
**Coefficients <sup>a</sup>**

| Model |                                | Collinearity Statistics |       |
|-------|--------------------------------|-------------------------|-------|
|       |                                | Tolerance               | VIF   |
| 1     | Effectiveness Tax Area         | .618                    | 1,618 |
|       | Effectiveness Retribution Area | .618                    | 1,618 |

a. Dependent Variable: Optimization Income Original Area

Source: Data processed with SPSS 25

Based on the table calculations above, the results of the multicollinearity test can be concluded that the tolerance value for the variables of Regional Tax Effectiveness and Regional Retribution Effectiveness are both 0.618, while the Variance Inflation Factor (VIF) value is 1.618 each. A tolerance value greater than 0.1 and a VIF value less than 10 indicate that the two independent variables do not experience multicollinearity problems. In other words, Regional Tax Effectiveness and Regional Retribution Effectiveness do not have a high linear correlation with each other, so they can be used simultaneously in multiple regression analysis. This indicates that each independent variable contributes different information in predicting Optimization Income Original Area (PAD), so that The regression model built is relatively stable and valid.

### Autocorrelation Test

The autocorrelation test is used to determine whether there is a correlation between the residuals of one observation and the residuals of another observation. Autocorrelation problems are often found in time series data, *such* as annual or monthly data. A commonly used method is the Durbin–Watson (DW) test, which is designed to detect first-order autocorrelation. In general, a DW value close to 2 indicates the absence of autocorrelation. A DW value well below 2 indicates positive autocorrelation, while a value well above 2 indicates negative autocorrelation.

**Table 6. Autocorrelation Test Results  
Model Summary <sup>b</sup>**

| Model | R                 | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|-------|-------------------|----------|-------------------|----------------------------|---------------|
| 1     | .596 <sup>a</sup> | .355     | -.289             | 10,325                     | 1,558         |

a. Predictors: (Constant), Effectiveness Retribution Area, Effectiveness Regional Tax

b. Dependent Variable: Optimization Income Original Area

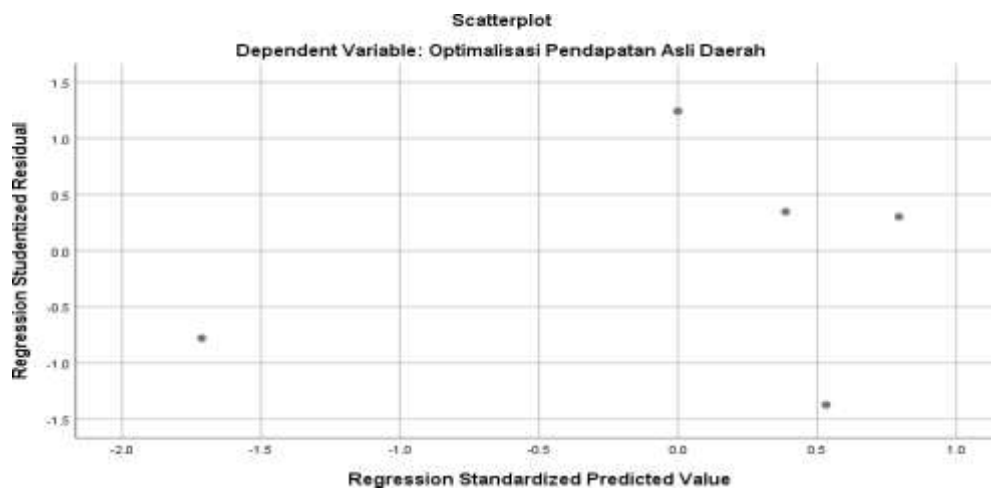
Source: Data processed with SPSS 25

Based on the calculation in the table above, the autocorrelation test result of 1.558 indicates that the residuals of the regression model are free from autocorrelation, so the assumption of independence is met. The relationship between the effectiveness of regional taxes and levies with PAD optimization is classified as moderate  $R = 0.596$ , but the independent variable only explains 35.5% of the variation in PAD  $R = 0.355$  and the model Still weak consequence amount sample small ( Adjusted  $R^2 = 0.289$ ) and a relatively high standard error (10.325).

### Heroscedasticity Test

The heteroscedasticity test is used to determine whether there is inequality in the variance of the residuals from one observation to another in the regression model. The test is carried out using the Glejser method and is also seen through a *scatterplot graph* between the residuals and the predicted values.

The Decision Basis if the Glejser test significance value is  $> 0.05$ , then heteroscedasticity does not occur. In *the scatterplot* , residual points that are spread randomly without forming a certain pattern also indicate the absence of heteroscedasticity. The results of the analysis show that all independent variables have a significance value above 0.05, and the pattern in the scatterplot spreads randomly above and below the X-axis. This means that the regression model in this study is free from heteroscedasticity problems.



**Figure 1. Results of Heteroscedasticity Test**

The heteroscedasticity test results show that the residual points are randomly distributed around the zero horizontal line without forming any particular pattern, either widening or converging. This indicates that there are no symptoms of heteroscedasticity in the regression model.

### Multiple Linear Regression Analysis

Model test Multiple linear regression analysis can be used to determine the influence of several independent variables on the dependent variable.

**Table 7. Results of Multiple Linear Regression Analysis  
Coefficients <sup>a</sup>**

| Model |                                    | Unstandardized Coefficients |            | Standardized Coefficients | t     | Sig. |
|-------|------------------------------------|-----------------------------|------------|---------------------------|-------|------|
|       |                                    | B                           | Std. Error | Beta                      |       |      |
| 1     | (Constant)                         | 95,679                      | 46,271     |                           | 2,068 | .175 |
|       | Effectiveness Tax Area             | .046                        | .561       | .060                      | .083  | .942 |
|       | Effectiveness Regional Retribution | -.046                       | .053       | -.631                     | -.874 | .474 |

a. Dependent Variable: Optimization Income Original Area

Source: Data processed with SPSS 25

Based on the results of multiple linear regression, the equation obtained is:  $Y = 8802.579 + 0.182 X_1 - 0.063 X_2 + e$ . The constant value is not statistically significant (significance  $0.175 > 0.05$ ), but this is not the main focus of the analysis. The coefficient of Regional Tax Effectiveness of 0.046 with a significance of 0.942 indicates a very small and insignificant positive influence on PAD Optimization. Meanwhile, the Effectiveness of Regional Retribution has a coefficient of -0.046 and a significance of 0.474, indicating a larger but also insignificant negative influence. Overall, both independent variables do not have a significant effect on PAD Optimization.

## Hypothesis Testing

### Partial Test (T-Test)

The t-test is used to test the significance of the influence of each independent variable ( $X_1$  or  $X_2$ ) on the dependent variable ( $Y$ ) partially. If the significance value is  $< 0.05$ , then the variable has a significant influence on the dependent variable.

**Table 8** Partial Test Results  
Coefficients <sup>a</sup>

| Model |                                    | Unstandardized Coefficients |            | Standardized Coefficients | t     | Sig. |
|-------|------------------------------------|-----------------------------|------------|---------------------------|-------|------|
|       |                                    | B                           | Std. Error | Beta                      |       |      |
| 1     | (Constant)                         | 95,679                      | 46,271     |                           | 2,068 | .175 |
|       | Effectiveness Tax Area             | .046                        | .561       | .060                      | .083  | .942 |
|       | Effectiveness Regional Retribution | -.046                       | .053       | -.631                     | -.874 | .474 |

a. Dependent Variable: Optimization Income Original Area

Source: Data processed with SPSS 25

Based on the table calculation above, the t-test results for the Regional Tax Effectiveness variable have a B coefficient of 0.046 with a t-value of 0.083 and a significance of 0.942. This indicates that although it has a positive effect on PAD Optimization, the effect is very small and not statistically significant. Meanwhile, the Effectiveness of Regional Retribution has a B coefficient of -0.046, which means that every increase in the effectiveness of retribution actually tends to decrease PAD Optimization, but the effect is also weak and not significant. Thus, both independent variables do not have a significant effect on PAD Optimization partially.

### Simultaneous Test (F Test)

The F test is used to test whether independent variables simultaneously have a significant effect on the dependent variable. If the significance value (Sig.)  $< 0.05$ , the regression model is considered fit and the independent variables simultaneously have an effect on the dependent variable. The F test tests the null hypothesis that states there is no effect of independent variables on the dependent variable simultaneously. It is used to test the influence of independent variables ( $X_1$  and  $X_2$ ) simultaneously on the dependent variable ( $Y$ ).

**Table 9** F-Test Results  
ANOVA <sup>a</sup>

| Model | Sum of Squares | df | Mean Square | F | Sig. |
|-------|----------------|----|-------------|---|------|
|-------|----------------|----|-------------|---|------|

|   |            |         |   |         |      |                   |
|---|------------|---------|---|---------|------|-------------------|
| 1 | Regression | 117,588 | 2 | 58,794  | .552 | .645 <sup>b</sup> |
|   | Residual   | 213,212 | 2 | 106,606 |      |                   |
|   | Total      | 330,800 | 4 |         |      |                   |

a. Dependent Variable: Optimization Income Original Area

b. Predictors: (Constant), Effectiveness Retribution Area, Effectiveness Tax

Area

Source: Data processed with SPSS 25

Based on the results of the F test on table on, obtained mark f as big as 0.552 with a significance of 0.645. This significance value is greater than 0.05, indicating that in a way simultaneous, variables Effectiveness Tax Area and the Effectiveness of Regional Retributions do not have a significant effect on the Optimization of Regional Original Income. In other words, the combination of these two independent variables is unable to explain changes in the Optimization of Regional Original Income. in a way significant. Thing This indicates that model regression used have limited predictive capabilities, and there may be factor other in outside Effectiveness Taxes and Retribution Area Which more dominant influence on PAD optimization in Baubau City.

### Coefficient of Determination (R<sup>2</sup>)

The decentralization coefficient (R<sup>2</sup>) is used to measure the model's ability to explain the dependent variable. The R<sup>2</sup> value ranges from 0 to 1. The closer it is to 1, the better the model is at explaining the dependent variable. R<sup>2</sup> = 0.80 → means that 80% of the variation in PAD can be explained by the effectiveness of taxes and levies, with the remaining 20% explained by other variables outside the model.

**Table 10** Results of the Determination Coefficient Test  
Model Summary<sup>b</sup>

| Model | R                 | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1     | .596 <sup>a</sup> | .355     | -.289             | 10,325                     |

a. Predictors: (Constant), Effectiveness Retribution Area, Tax Effectiveness Area

b. Dependent Variable: Optimization Income Original Area

Source: Data processed with SPSS 25

Based on the results of the determination coefficient test, the R value of 0.596 and R Square of 0.355 indicate that 35.5% of the variation in PAD Optimization can be explained by the Effectiveness of Regional Taxes and the Effectiveness of Regional Levies, while the remaining 64.5% is influenced by other factors outside the model. However, the Adjusted R Square value of -0.289 indicates that the model's predictive ability is very low, so that even though there is a relationship, the contribution of the two variables to PAD Optimization is still weak and not strong enough to explain most of the variation.

## Discussion

### The Influence of Regional Tax Effectiveness on Optimizing Regional Original Income (PAD)

Based on the research results, the effectiveness of Baubau City's regional taxes during the 2020–2024 period ranged from moderately effective to very effective, with average tax revenues approaching the regional budget (APBD) target. The taxes with the highest contribution were PBB-P2 (land tax), BPHTB (land tax on public property), Motor Vehicle Tax, and Advertising Tax. This consistent achievement demonstrates that regional taxes are a key pillar of Baubau City's Regional Original Income (PAD).

The results of this study align with Public Finance Theory, which emphasizes that taxes are the primary instrument for stable and sustainable state and regional revenue. Regional taxes serve both as a budgetary function, providing the primary funding for development, and as a regulator, regulating economic activity at the local level. Furthermore, according to Local Fiscal Effectiveness Theory, a region's success in achieving tax effectiveness is determined by institutional capacity, the digitization of the collection system, and public compliance.

Previous research, such as that of Mariyanto (2015), Ridho Nugroho (2020), and Sinaga (2023), found that regional taxes partially significantly influence PAD, even contributing more than levies. This is consistent with the situation in Baubau City, where regional taxes contribute the majority of PAD compared to levies.

Factors that make the effectiveness of Baubau City's regional taxes relatively high include:

1. Taxpayer compliance increased through outreach and education conducted by Bapenda.
2. Utilization of digital technology (*e-tax*, *e-billing*, online payments) so that the payment process is easier, more transparent, and reduces leakage.
3. Improved capacity of regional tax officials in determining, collecting and supervising.
4. Tax intensification, especially in the property sector and acquisition of land/building rights.

However, challenges remain, including a narrow tax base and non-compliant taxpayers, particularly in the areas of advertising and entertainment taxes. Therefore, the effectiveness of regional taxes in Baubau City can be categorized as fairly effective to very effective, and has proven significant in optimizing local revenue (PAD).

### **The Influence of the Effectiveness of Regional Retributions on the Optimization of Regional Original Income (PAD)**

The research results show that the effectiveness of regional levies in Baubau City fluctuated significantly between 2020 and 2024. In 2020 and 2022, the effectiveness was very high, categorizing it as very effective. However, in 2021 and 2023, it was only moderately effective, and in 2024, it dropped drastically to 44% (ineffective). This demonstrates that the effectiveness of regional levies is unstable and their contribution to local revenue (PAD) is relatively small.

According to Public Finance Theory, regional levies differ from taxes in that they have a direct return. This means that the public is only willing to pay levies if the public services received are in accordance with the established rates. This theory emphasizes that the effectiveness of levies is determined by comparing actual performance with targets, but is also influenced by the quality of public services.

Factors that cause fluctuations in the effectiveness of levies in Baubau City include:

1. The quality of public services is not optimal, for example cleanliness and market services.
2. Public awareness is low, because they feel the benefits of the levy are not commensurate with the costs.
3. Lack of supervision of the retribution collection apparatus, so the potential for leakage is still high.
4. The digitalization of levies has not been maximized, in contrast to taxes which are already online-based.
5. Impact of economic activity; the decline in 2024 is partly due to the local economic slowdown, which has resulted in a decrease in business and market service fees.

The results of this study align with those of Sirry (2020) and Sinaga (2020), which found that levies do not always significantly impact local revenue (PAD), despite their theoretical potential. This indicates that the effectiveness of levies in Baubau City remains poorly managed, with average effectiveness only categorized as moderate, and even tending to be weak in the final year of the study.

### **The Effect of Simultaneous Effectiveness of Regional Taxes and Levies on Optimizing Regional Original Income (PAD)**

Based on the results of multiple linear regression tests, the effectiveness of regional taxes and the effectiveness of regional levies simultaneously influence the optimization of Baubau City's PAD with a coefficient of determination ( $R^2$ ) of 0.355. This means that 35.5% of the variation in PAD can be explained by these two variables, while the remainder is influenced by other factors such as the results of managing separated regional assets, central government transfers, and other legitimate PAD revenues.

These results align with the Fiscal Decentralization Theory, which emphasizes the importance of regional capacity to tap local potential through taxes and levies as part of fiscal autonomy. Furthermore,

according to the Local Revenue Mobilization Theory, the effectiveness of PAD is determined by accurate data, a sound administrative system, and public compliance.

Previous research, such as that by Lasita, L., & Haqiqi (2020), Ridho Nugroho (2020), and Sudarmana & Sudiarta (2020), also found that taxes and levies simultaneously significantly influence local revenue (PAD), although taxes are far more dominant. This is also evident in Baubau City, where local taxes serve as a major (primary) source of PAD, while levies are only a minor (supplemental) source.

This simultaneous condition is influenced by the following factors:

1. Relatively consistent regional tax stability every year.
2. The contribution of the levy fluctuates, thus weakening the simultaneous power.
3. Regional fiscal capacity is still limited, because it still relies on central transfers.
4. Limited innovation in exploring new retribution potential.

Thus, the simultaneous effectiveness of regional taxes and levies in optimizing local revenue (PAD) in Baubau City can be categorized as quite effective. To increase contributions, a strategy is needed to strengthen levies through digital collection, improving the quality of public services, and intensive public outreach to improve payment compliance.

## CLOSING

This study aims to analyze the effect of the effectiveness of regional taxes and levies on optimizing Baubau City's Regional Original Revenue (PAD) for the 2020–2024 period. The results show that the effectiveness of regional taxes has a positive and significant effect on PAD, with an average effectiveness level of more than 90%, which is classified as effective. This proves that regional taxes are a major source of regional revenue and a key instrument in supporting Baubau City's fiscal independence. Conversely, the effectiveness of regional levies has a positive but insignificant effect on PAD. Although the average effectiveness of levies is in the fairly effective category, their contribution is still relatively small, namely less than 5% of PAD, so their role is more complementary. Simultaneously, regional taxes and levies have a significant effect on PAD with a coefficient of determination ( $R^2$ ) of 0.355. This means that these two variables are able to explain 35.5% of the variation in PAD optimization, while the remaining 64.5% is influenced by other factors outside the study. Thus, the research objective has been achieved, namely proving that regional taxes play a significant role in optimizing PAD, while levies play a positive but insignificant role.

This study has several limitations. First, the study only used two independent variables: the effectiveness of regional taxes and the effectiveness of regional levies. Other factors that could influence the optimization of PAD, such as the results of managing separated regional assets, other legitimate income, and macroeconomic factors (economic growth, inflation, investment), were not included in the research model. Second, the data Which used is data secondary from report realization target and achievements tax area, retribution area, as well as PAD Baubau City 2020–2024 period. Limitations This make study No can dig Further analysis of real conditions on the ground, such as taxpayer and levy compliance, service quality, and administrative constraints that may impact effectiveness, is needed. Third, the research timeframe is limited to only five years (2020–2024). This relatively short time span can limit trend analysis. term long related dynamics reception PAD, especially If there are changes in regulations, fiscal policies, or economic conditions that affect tax and levy revenues .

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