International Journal of Law Society Services

Vol. 6 No. 1 March 2026

POLICY STRATEGIES FOR INCREASING LOCALLY-GENERATED REVENUE (PAD) IN THE ERA OF REGIONAL AUTONOMY

Devina Arifani

Faculty of Law, Universitas Islam Sultan Agung (UNISSULA), Semarang, Indonesia, E-mail: rifanidevina@gmail.com

Firdo Lingga

Faculty of Law, Universitas PGRI Semarang, Semarang, Indonesia, E-mail: virdolingga@gmail.com

ARTICLE INFO

Keywords:
Decentralization; Independence; Locally-Generated; Policy; Regional-Autonomy.

ABSTRACT

The implementation of regional autonomy in Indonesia has provided local governments with greater authority and responsibility to manage their respective governmental affairs, particularly in the financial sector. One of the primary objectives of regional autonomy is to strengthen fiscal independence through the optimization of Locally-Generated Revenue (Pendapatan Asli Daerah/PAD). However, many local governments continue to face challenges in maximizing their revenue potential due to limited fiscal capacity, inadequate tax administration, low taxpayer compliance, and dependence on financial transfers from the central government. This study aims to analyze policy strategies for increasing Locally-Generated Revenue in the era of regional autonomy by examining the legal and regulatory framework, optimization of local revenue sources, and evaluation of PAD enhancement policies in supporting fiscal independence and sustainable regional development. This research employs a normative juridical method using statutory, conceptual, and analytical approaches. The data are obtained through a literature review of relevant legislation, legal documents, academic journals, and other secondary legal materials related to regional financial management and fiscal decentralization. The findings indicate that strengthening the legal and regulatory framework is essential to ensuring legal certainty, accountability, transparency, and effectiveness in regional revenue management. Furthermore, optimizing local revenue sources requires innovative strategies, including the expansion of local tax bases, improvement of tax and retribution administration, digital transformation of revenue collection systems, enhancement of regional asset management, and professional development of Regional-Owned Enterprises. These measures should be implemented without creating excessive financial burdens on local communities or discouraging regional investment. In addition, evaluating PAD enhancement policies through fiscal independence

ratios, revenue effectiveness, revenue growth, and the contribution of PAD to total regional income is necessary to measure the success of fiscal decentralization. The study concludes that increasing Locally-Generated Revenue requires an integrated policy approach combining regulatory strengthening, administrative innovation, effective fiscal governance, and sustainable economic development. Therefore, local governments must develop transparent, accountable, and locally responsive revenue policies to reduce fiscal dependency, improve public services, promote regional economic competitiveness, and achieve equitable and sustainable development under regional autonomy.

A. INTRODUCTION

Regional autonomy is a fundamental element of Indonesia's decentralization policy, providing local governments with greater authority to manage governmental affairs, financial resources, and regional development according to their respective needs and potential. One of the main objectives of regional autonomy is to establish financially independent regions capable of financing public services and development programs through their own revenue sources. In this context, Locally-Generated Revenue (Pendapatan Asli Daerah/PAD) plays a strategic role in strengthening regional fiscal capacity and reducing excessive dependence on financial transfers from the central government. However, the implementation of fiscal decentralization continues to face various challenges, including unequal regional economic potential, limited revenue administration capacity, inadequate tax compliance, and the suboptimal utilization of local economic resources. Therefore, effective policy strategies are necessary to increase PAD while maintaining economic stability, social welfare, and sustainable regional development. [1]

The legal and regulatory framework constitutes an essential foundation for strengthening Locally-Generated Revenue within the regional autonomy system. The Indonesian Constitution and various statutory regulations provide the legal basis for regional financial authority, including Law Number 23 of 2014 concerning Regional Government and Law Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments. These regulations establish the principles governing regional taxation, retribution, fiscal authority, and financial accountability. Nevertheless, the effectiveness of these legal instruments depends on consistent implementation, institutional capacity, and the ability of local governments to formulate revenue policies that reflect regional characteristics. Legal certainty, transparency, fairness, and accountability must remain central principles in managing regional financial resources. [2]

Furthermore, optimizing local revenue sources requires innovative approaches to regional tax and retribution management. Local governments must identify and develop their economic potential through comprehensive revenue mapping, expansion of tax bases, digitalization of tax administration, improvement of taxpayer compliance, and professional management of regional assets and Regional-Owned Enterprises. Technological innovation can improve administrative efficiency, minimize revenue leakages, and strengthen public participation in fulfilling tax obligations. These strategies must also consider the economic capacity of communities and the need to maintain a favorable investment climate. [3]

Equally important is the evaluation of PAD enhancement policies in measuring regional fiscal independence and supporting sustainable development. Indicators such as fiscal independence ratios, revenue effectiveness, PAD growth, and the contribution of PAD to total regional income can provide an objective assessment of policy performance. Effective revenue management should generate tangible improvements in infrastructure, education, healthcare, and public services while promoting equitable economic growth.[4]

---

1 Guzali, "Strategi Peningkatan Pendapatan Asli Daerah Melalui Diversifikasi Sumber PAD, Optimalisasi Pengelolaan Pajak dan Retribusi Daerah serta Penguatan Peran BUMD Guna Mendorong Kemandirian Keuangan Daerah," *Jurnal Selodang Mayang*, Vol. 11, No. 2, 2025, https://doi.org/10.47521/selodangmayang.v11i2.467

2 Hawila Pupe Nabasa N & Ikhsan Budi Riharjo, "Kebijakan dan Strategi Peningkatan Pendapatan Asli Daerah (PAD) Melalui Intensifikasi dan Ekstensifikasi di Kota Surabaya," *Jurnal Ilmu dan Riset Akuntansi*, Vol. 10, No. 11, 2021.

3 Julio Chandra Purnama Kusuma et al., "Strategi Peningkatan Pendapatan Asli Daerah (PAD) Menggunakan Logical Framework Analysis (LFA) di Kabupaten Siak, Provinsi Riau," *Journal of Urban Regional Planning and Sustainable Environment*, Vol. 3, No. 2, 2024, https://doi.org/10.25299/jurps.2024.19910.

4 Ma'ruf Akib et al., "Strategi Peningkatan Pendapatan Asli Daerah (PAD) Melalui Optimalisasi Pajak dan Retribusi

B. RESEARCH METHODS

This research employs a normative juridical method using statutory, conceptual, and analytical approaches. The data are obtained through a literature review of relevant legislation, legal documents, academic journals, and other secondary legal materials related to regional financial management and fiscal decentralization.[5]

C. RESULTS AND DISCUSSION

3.1. Legal and Regulatory Framework for Strengthening Locally-Generated Revenue in the Era of Regional Autonomy

The legal and regulatory framework for strengthening Locally-Generated Revenue (Pendapatan Asli Daerah/PAD) constitutes a fundamental element in implementing regional autonomy in Indonesia. Fiscal decentralization provides local governments with the authority to manage regional financial resources, formulate revenue policies, and finance development programs according to their respective economic potential and community needs. Within this framework, PAD serves as an important indicator of regional fiscal capacity and financial independence. The ability of local governments to generate their own revenue determines, to a significant extent, their capacity to provide public services, develop infrastructure, and implement regional development priorities without excessive dependence on central government transfers. Therefore, establishing a comprehensive legal framework is essential to ensure that regional revenue collection is conducted effectively, transparently, accountably, and in accordance with the principles of justice and sustainable development. [6]

The constitutional foundation of regional financial autonomy is reflected in Article 18 and Article 18A of the 1945 Constitution of the Republic of Indonesia, which recognize regional autonomy and establish the basis for financial relations between central and regional governments. These provisions demonstrate that regional governments possess authority to manage their respective administrative and financial affairs within the framework of the Unitary State of the Republic of Indonesia. The constitutional mandate is further implemented through Law Number 23 of 2014 concerning Regional Government, which establishes the institutional and administrative foundations of regional autonomy. Under this framework, local governments are responsible for managing regional resources, implementing public services, and developing policies that respond to local needs. PAD consequently becomes an essential financial instrument for translating regional authority into concrete development programs. The legal recognition of local financial authority also emphasizes that regional revenue collection must remain consistent with national legislation and constitutional principles.

The regulatory framework governing PAD has undergone significant developments through the enactment of Law Number 28 of 2009 concerning Regional Taxes and Regional Retributions, which was subsequently replaced by Law Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments (HKPD Law). The earlier regulatory framework provided local governments with a legal basis for collecting taxes and retributions according to their respective authorities. However, its implementation revealed several challenges, including overlapping regulations, differences in regional tax policies, administrative inefficiencies,

---

di Kota Kendari," *Al-Ahkam: Jurnal Hukum Pidana Islam*, Vol. 5, No. 2, 2023, h. 126–138. https://doi.org/10.47435/al-ahkam.v5i2.2238

5 Bintang Adi Putra et al., "Metodologi Penelitian Hukum Normatif dalam Perspektif Konsep dan Teknik Analisis dalam Kajian Yuridis," *Jurnal Kajian Ilmiah Multidisipliner*, Vol. 10, No. 4, 2026, h. 97–112.

6 Neelam Noeridha & Nadia Nadia, "Strategi Peningkatan Pendapatan Asli Daerah (PAD) Melalui Penggalian Potensi Ekonomi Daerah di Provinsi Kepulauan Riau," *PUBLICNESS: Journal of Public Administration Studies*, Vol. 2, No. 2, 2023, h. 109–121. https://doi.org/10.24036/publicness.v2i2.100

and unequal revenue-generating capacities. These problems demonstrated the need for regulatory harmonization and improvements in the national fiscal decentralization system. The enactment of the HKPD Law represents an important reform intended to create a more integrated, coordinated, and accountable system of regional financial management.

Research by Kidengsing, Stefanus, and Udju (2023), which examines the regulation of PAD sources within the framework of regional autonomy through a study of regional taxes and retributions in Alor Regency, emphasizes the importance of legal certainty in determining the sources of regional revenue. Their analysis demonstrates that regional taxation and retribution constitute important instruments for financing regional government responsibilities. However, the effectiveness of these instruments depends on the ability of local governments to implement their legal authority in accordance with applicable regulations and regional economic conditions. This indicates that regulatory arrangements should not merely provide formal authority to collect revenue but should also establish clear procedures, institutional responsibilities, and mechanisms of accountability to ensure that revenue collection produces measurable benefits for regional development.

Furthermore, Law Number 1 of 2022 concerning HKPD introduces substantial changes to the relationship between central and regional governments in managing fiscal resources. One of its principal objectives is to strengthen regional fiscal capacity while maintaining coordination and consistency within national fiscal policy. The regulation reorganizes regional tax categories, establishes mechanisms for controlling regional tax rates, and introduces the tax surcharge mechanism known as opsen for certain provincial and regency or municipal taxes. The consolidation of several consumption-related tax categories into the Specific Goods and Services Tax (Pajak Barang dan Jasa Tertentu/PBJT) is intended to simplify the tax administration framework and improve collection efficiency. These regulatory changes seek to reduce overlapping taxation, improve administrative coordination, and provide greater certainty for taxpayers and regional governments.

Research by Sari, Humairoh, and Dreifalia (2024), examining regional tax and retribution regulations following the enactment of the HKPD Law, explains that regulatory reform is expected to strengthen regional autonomy and financial accountability. The adjustment of tax and retribution arrangements is not merely an administrative transformation but also represents an effort to align regional revenue policies with changing economic conditions and the potential of local revenue sources. Similarly, Sugianto and colleagues, in their juridical analysis of regulatory synchronization following the HKPD Law, identify tax consolidation, central government intervention through maximum tariff arrangements, and the implementation of opsen as important elements of the new fiscal framework. These developments demonstrate the importance of harmonizing regional regulations with national legislation to ensure legal consistency and prevent overlapping fiscal obligations.

Nevertheless, the implementation of the HKPD Law also raises important questions concerning the balance between central government supervision and regional fiscal independence. Although national standardization can improve legal certainty and prevent excessive taxation, excessive central intervention may limit the flexibility of local governments in responding to their respective economic characteristics. Regional governments have different economic structures, population sizes, natural resources, investment capacities, and levels of institutional development. Consequently, uniform fiscal arrangements may not produce identical results across regions. Research by Indryanti, Sitorus, and colleagues (2026) on the reconstruction of regional fiscal independence after the enactment of the HKPD Law highlights this issue. Their analysis indicates that standardized tax arrangements and central government control over certain

tariff mechanisms can improve fiscal governance but may also reduce regional discretion in developing locally responsive revenue policies. Therefore, the implementation of national fiscal regulations should maintain an appropriate balance between regulatory harmonization and substantive regional autonomy.[7]

In addition to strengthening the legal basis for regional taxation, the regulatory framework must also support improvements in regional financial administration and institutional accountability. Government Regulation Number 35 of 2023 concerning General Provisions for Regional Taxes and Regional Retributions provides further implementation guidance for the provisions established under the HKPD Law. This regulation establishes more detailed arrangements concerning tax and retribution administration, including registration, collection, payment, reporting, and supervision. Its implementation requires local governments to strengthen the capacity of regional revenue agencies, improve the accuracy of taxpayer databases, and establish transparent administrative procedures. Effective implementation also requires coordination between regional financial agencies, licensing institutions, regional planning authorities, and other relevant government organizations. Through institutional coordination, local governments can identify potential revenue sources more accurately and prevent administrative weaknesses that may result in revenue losses.

Moreover, legal reform must be accompanied by stronger mechanisms for public participation and accountability. Regional tax policies directly affect individuals, businesses, and economic activities within local communities. Therefore, the formulation of regional regulations should consider public interests, economic affordability, and the potential consequences of taxation for local investment. Transparency in determining tax rates, explaining retribution obligations, and reporting the utilization of regional revenue can strengthen public trust and encourage voluntary compliance. Local governments must also ensure that tax and retribution collection does not exceed their legally established authority or impose unjustified financial burdens on taxpayers. In this regard, the principles of legality, proportionality, legal certainty, and public accountability should become fundamental considerations in every stage of regional revenue management.

Another important aspect of strengthening the regulatory framework is the relationship between PAD and sustainable regional development. Increasing regional revenue should not become an isolated fiscal objective but should support broader economic and social development priorities. Regional governments must ensure that revenue policies encourage productive investment, improve infrastructure, expand employment opportunities, and enhance the quality of public services. The fiscal decentralization literature reviewed by Maulidiyah and colleagues (2025) indicates that regional financial independence remains a significant challenge in Indonesia, particularly because many local governments continue to rely heavily on transfers from the central government. This situation demonstrates that granting fiscal authority alone is insufficient without effective regulatory implementation, institutional strengthening, and the development of productive local economic potential.

Ultimately, strengthening the legal and regulatory framework for Locally-Generated Revenue requires an integrated approach that combines constitutional authority, regulatory harmonization, administrative effectiveness, and accountable financial governance. Law Number 23 of 2014 and Law Number 1 of 2022 provide important foundations for implementing regional autonomy and fiscal decentralization, while Government Regulation Number 35 of 2023 supports their practical implementation in

7 Nourel Islamay Diandra et al., "Peningkatan Sumber Pendapatan Daerah, Peningkatan Pendapatan Pajak & Retribusi Daerah," *Jurnal Ilmiah Ekonomi, Manajemen, Bisnis dan Akuntansi*, Vol. 3, No. 1, 2025, h. 57–68. https://doi.org/10.61722/jemba.v3i1.1838

regional taxation and retribution management. However, the success of these regulations depends on the capacity of local governments to translate legal provisions into effective policies that reflect regional characteristics and community needs. Regulatory improvements should therefore prioritize legal certainty, institutional coordination, equitable taxation, and transparency while preserving sufficient flexibility for local governments to develop their economic potential. Through consistent implementation and continuous evaluation, the legal framework can strengthen PAD, reduce excessive fiscal dependence on central government transfers, and establish a more independent, accountable, and sustainable regional financial system in Indonesia.

3.2. Optimization of Local Revenue Sources and Innovation in Regional Tax and Retribution Management

The optimization of Locally-Generated Revenue (Pendapatan Asli Daerah/PAD) represents a strategic priority for local governments in strengthening fiscal independence and supporting the implementation of regional autonomy in Indonesia. PAD is an essential component of regional financial capacity because it reflects the ability of local governments to generate revenue independently through the utilization of local economic resources. In general, PAD consists of regional taxes, regional retributions, proceeds from the management of separated regional assets, and other legitimate local revenue. [8]

However, the contribution of these revenue sources varies considerably across regions due to differences in economic structures, geographical characteristics, population density, investment activities, and institutional capacities. Consequently, optimizing PAD requires comprehensive policies that identify regional economic potential, improve revenue collection systems, and strengthen the administrative capacity of local governments. Increasing PAD should not simply be pursued through higher tax rates or additional financial obligations imposed on communities but through more effective revenue management, broader tax bases, and productive utilization of regional resources.

One of the fundamental strategies for optimizing PAD is the identification and development of local economic potential. Local governments need to conduct systematic assessments of economic activities that can generate sustainable revenue, including tourism, agriculture, fisheries, mining, manufacturing, trade, and service industries. These sectors provide opportunities for expanding regional tax bases and increasing economic productivity.

Irmawati, Andi Bahrun Syam, Baharuddin, and Sudirman (2024), in their study entitled Optimalisasi Pendapatan Asli Daerah Melalui Pajak dan Retribusi, emphasize the importance of exploring regional economic resources, particularly in sectors with significant development potential, such as tourism, mining, agriculture, fisheries, and trade. Their research also highlights the importance of online applications and smart registration systems in improving the administration of regional taxes and retributions. This finding demonstrates that revenue optimization requires both the expansion of economic activities and the modernization of administrative systems responsible for collecting regional revenue.

Furthermore, optimizing regional tax revenue requires improvements in taxpayer registration, data accuracy, tax assessment, collection procedures, and monitoring mechanisms. One of the persistent challenges in regional taxation is the existence of unregistered taxpayers and economic activities that have not been fully incorporated into regional tax databases. Inaccurate taxpayer information can create gaps between the

8 Nurhayati, "Analisis Potensi Pajak Daerah dalam Meningkatkan Pendapatan Asli Daerah Kabupaten Rokan Hulu," *Jurnal Ilmiah Cano Ekonomos*, Vol. 4, No. 2, 2015, h. 97–108. https://doi.org/10.30606/cano.v4i2.602

actual revenue potential and the amount collected by local governments. Therefore, regional revenue agencies should develop integrated databases that connect taxpayer identification, business licensing, property information, and regional economic activities. Such integration enables local governments to identify potential taxpayers, monitor compliance, and establish more accurate revenue projections. Regular updating of taxpayer databases is also necessary to accommodate changes in business ownership, property utilization, and commercial activities. Through improved data management, local governments can expand their tax bases without necessarily increasing existing tax rates.

Another important strategy involves strengthening the management of regional retributions, particularly those associated with public facilities and services. Retributions collected from traditional markets, parking facilities, tourism destinations, transportation services, and other regional facilities represent potential sources of PAD. However, the effectiveness of retribution collection frequently depends on administrative discipline, service quality, and the availability of transparent payment mechanisms. Traditional collection systems that rely heavily on manual transactions may create opportunities for inaccurate reporting, revenue leakages, and administrative inefficiencies. Consequently, local governments need to establish standardized collection procedures, improve supervision, and ensure that the amount collected corresponds with actual transactions and applicable regulations. Improving the quality of public facilities is equally important because communities are more likely to comply with retribution obligations when they receive accessible, reliable, and satisfactory services. [9]

Fathurrahman, Julia Safitri, Musran Munizu, and Nasir (2024), in their research entitled Strategi Optimalisasi Pendapatan Asli Daerah Melalui Inovasi dan Kolaborasi di Kabupaten Lombok Tengah, emphasize the importance of innovation and collaboration in developing regional revenue strategies. Their study demonstrates that PAD optimization requires coordination among government institutions and the involvement of relevant stakeholders in identifying and developing local revenue opportunities. This approach suggests that regional revenue management should not operate exclusively within the responsibilities of regional revenue agencies. Instead, it requires cooperation among planning agencies, licensing institutions, tourism offices, regional-owned enterprises, private businesses, and local communities. Such collaboration can improve the accuracy of economic potential mapping, strengthen the implementation of revenue policies, and encourage productive investment. Regional governments can also establish partnerships with private businesses to improve the management of tourism destinations, markets, parking facilities, and other economically productive regional assets.

Digital transformation is another essential component of innovation in regional tax and retribution management. The development of electronic government systems enables local governments to improve the efficiency, transparency, and accountability of revenue collection. Electronic Tax (E-Tax), Electronic Retribution (E-Retribution), online registration, electronic billing, and digital payment platforms provide practical alternatives to conventional administrative procedures. These systems allow taxpayers to access payment services more conveniently while enabling government institutions to monitor transactions systematically. Electronic records also reduce dependence on manual documentation and provide more reliable information for financial reporting and budget planning. The implementation of the Electronification of Regional Government Transactions (ETPD) further supports the development of an integrated digital financial ecosystem at the regional level.

9 Tri Ratnawati, "Upaya Meningkatkan Pendapatan Asli Daerah (PAD) dalam Era Otonomi Daerah," *DiE: Jurnal Ilmu Ekonomi dan Manajemen*, Vol. 5, No. 2, 2009, https://doi.org/10.30996/die.v5i2.48

Sinulingga (2025), in the study Inovasi Manajemen Elektronifikasi Transaksi Pemerintah Daerah: Penguatan Ekosistem Digital untuk Akselerasi Ekonomi Daerah pada Era Digital, explains that ETPD is an important instrument for strengthening digital economic governance. The implementation of electronic transactions can improve regional financial management by facilitating non-cash payments, strengthening transaction documentation, and improving coordination among financial institutions. Digitalization also provides opportunities for local governments to develop more efficient administrative processes and reduce the risks associated with conventional cash collection. Therefore, ETPD should be understood not merely as a payment innovation but as an institutional reform that supports broader improvements in regional financial governance.

The implementation of digital payment systems, particularly the Quick Response Code Indonesian Standard (QRIS), also offers opportunities to improve taxpayer compliance and administrative efficiency. Aminudin and colleagues (2025), in their study entitled Penerapan Digitalisasi Pembayaran Pajak Daerah Berbasis QRIS di Daerah Regional melalui Aplikasi Ayo Balapan, examine the use of QRIS-based digital payments as an innovation in regional taxation. Their findings report improvements in taxpayer compliance, shorter payment processing times, and increased regional revenue following the implementation of the application. These findings illustrate how accessible payment technology can simplify tax obligations and encourage more systematic financial transactions. Nevertheless, successful digitalization requires adequate technological infrastructure, reliable internet connectivity, cybersecurity protection, and public education. Local governments must also provide alternative payment assistance for communities that have limited access to digital technology.

In addition to technological innovation, the optimization of regional revenue requires professional management of regional assets and Regional-Owned Enterprises (Badan Usaha Milik Daerah/BUMD). Regional assets that remain underutilized represent economic opportunities that can be developed to generate additional revenue. Local governments should conduct comprehensive inventories, evaluate the economic productivity of their assets, and establish management arrangements that comply with applicable regulations. BUMDs should also be encouraged to operate according to professional business principles, effective corporate governance, and measurable performance indicators. Their contribution to PAD should not depend solely on government capital participation but should be supported by business innovation, operational efficiency, and the ability to compete within regional economic markets. Effective asset management can create additional revenue streams while supporting employment opportunities and local economic development.

Nevertheless, the implementation of innovative revenue policies continues to encounter several institutional and technical challenges. These include limited human resource capacity, inadequate digital infrastructure, fragmented databases, low taxpayer awareness, and resistance to administrative changes. Aningsih and colleagues (2026), in their research on the effectiveness of E-Tax implementation in Malang City, identify the importance of technological understanding, system reliability, and human resource development in improving digital tax administration. Similarly, research on market retribution optimization in Yogyakarta City by Ambarwati, Sundari, and Hidayat highlights the importance of addressing operational constraints and technological adaptation in implementing electronic retribution systems. These findings indicate that technological modernization must be accompanied by institutional strengthening, continuous training, public education, and effective supervision.

Furthermore, regional revenue optimization should be evaluated through measurable indicators, including tax collection effectiveness, retribution realization, taxpayer

compliance, revenue growth, and administrative efficiency. Khoiriani and colleagues (2025), in their analysis of regional taxes and retributions in Dompu Regency, demonstrate that the contribution of individual revenue components to PAD can vary considerably. Their findings emphasize the importance of evaluating each revenue source separately rather than relying exclusively on aggregate PAD figures. Such evaluations enable local governments to identify underperforming sectors and formulate more appropriate improvement strategies.

Ultimately, optimizing local revenue sources requires an integrated strategy combining economic potential identification, tax base expansion, digital transformation, professional asset management, and institutional collaboration. Regional governments must ensure that revenue policies remain proportionate, transparent, and supportive of economic activities. Innovation should improve administrative efficiency without excluding communities with limited technological access or imposing excessive financial burdens on taxpayers. Through continuous evaluation and accountable implementation, regional tax and retribution management can become a more effective instrument for strengthening fiscal independence, improving public services, encouraging regional investment, and supporting inclusive and sustainable development under Indonesia's regional autonomy framework.

3.3. Evaluation of PAD Enhancement Policies, Fiscal Independence, and Sustainable Regional Development

The evaluation of Locally-Generated Revenue (Pendapatan Asli Daerah/PAD) enhancement policies is an essential component of assessing the effectiveness of fiscal decentralization and regional autonomy in Indonesia. PAD represents the financial capacity of local governments to finance public administration, infrastructure development, and public services through independently generated revenue sources. Within the framework of regional autonomy, increasing PAD is expected to strengthen fiscal independence and reduce excessive dependence on financial transfers from the central government. However, the success of revenue enhancement policies cannot be measured solely by the amount of revenue collected annually. It must also be evaluated based on the effectiveness of revenue management, the contribution of PAD to total regional income, the efficiency of public expenditure, and the extent to which regional financial resources contribute to sustainable economic and social development. Therefore, a comprehensive evaluation framework is necessary to determine whether PAD enhancement policies have achieved their intended objectives and generated meaningful benefits for local communities.[10]

One of the principal indicators in evaluating regional fiscal performance is the degree of regional financial independence. This indicator reflects the ability of local governments to finance governmental activities and development programs using their own revenue sources rather than relying heavily on central government transfers. Regional financial independence is generally assessed by comparing PAD with transfer revenue from the central and provincial governments. A higher ratio indicates greater financial autonomy, while a lower ratio demonstrates continued dependence on external fiscal support. Research by Machfud, Naz'aina, and Faisal (2020), examining regional financial independence and the effectiveness of PAD in Lhokseumawe City, emphasizes the importance of evaluating the relationship between regional revenue capacity and the implementation of local financial policies. Their findings demonstrate that fiscal independence must be considered alongside the effectiveness of revenue collection to provide a more comprehensive assessment of regional financial performance. This

10 Achmad Sani Alhusain et al. (2018). *Kebijakan dan Strategi Peningkatan Pendapatan Asli Daerah dalam Pembangunan Nasional*. Jakarta: Yayasan Pustaka Obor Indonesia.

suggests that local governments should not focus exclusively on increasing nominal PAD but should also strengthen the capacity to generate consistent and sustainable revenue.[11]

Furthermore, the effectiveness of PAD enhancement policies can be measured through several financial indicators, including the effectiveness ratio, growth ratio, contribution ratio, and fiscal decentralization ratio. The effectiveness ratio compares the realization of PAD with its established revenue targets, providing information about the government's ability to achieve its financial objectives. The growth ratio measures changes in PAD over a specific period, while the contribution ratio identifies the proportion of PAD within total regional income. Meanwhile, the fiscal decentralization ratio illustrates the extent to which regional governments finance their expenditure through independently generated revenue. These indicators should be analyzed collectively because a high realization rate does not necessarily indicate strong fiscal independence if the overall contribution of PAD to regional income remains relatively low. Similarly, significant annual revenue growth may not represent sustainable improvement if it results from temporary economic activities or exceptional revenue sources. Therefore, financial performance evaluation must incorporate both quantitative measurements and qualitative assessments of regional fiscal governance.

Research by Sari and colleagues on regional financial performance emphasizes that the effectiveness of regional financial management is closely related to the ability of local governments to mobilize revenue and allocate budgets according to development priorities. In this context, evaluating PAD policies requires an examination of the relationship between revenue generation and expenditure management. Local governments may successfully increase their revenue collections, but the expected benefits will remain limited if financial resources are not allocated efficiently. Therefore, evaluation should include the quality of budget implementation, expenditure efficiency, financial transparency, and the achievement of regional development targets. This approach ensures that PAD enhancement becomes an instrument for improving public welfare rather than merely an administrative objective.

Another important dimension is the contribution of PAD to reducing regional fiscal disparities. Indonesia has considerable differences in geographical conditions, natural resources, economic structures, population distribution, and investment opportunities. These differences create unequal revenue-generating capacities among provinces, regencies, and municipalities. Regions with established industrial sectors, commercial centers, and developed tourism industries generally possess broader opportunities to generate local revenue than regions with limited economic infrastructure. Research by Nanga and colleagues concerning fiscal decentralization and regional development highlights the importance of considering differences in regional fiscal capacity when assessing the implementation of regional autonomy. Consequently, the evaluation of PAD enhancement policies should account for local economic characteristics rather than applying identical performance expectations to every region. Regional governments must formulate revenue strategies that reflect their respective economic conditions and available resources.[12]

In addition, sustainable regional development requires local governments to ensure that increasing PAD does not create excessive economic burdens for businesses and communities. Taxation and retribution policies should be designed according to principles of fairness, legal certainty, proportionality, and economic sustainability. Excessive tax burdens may discourage investment, reduce business competitiveness, and limit economic

11 Wempy Banga. (2020). *Administrasi Keuangan Negara dan Daerah: Konsep, Teori, dan Fenomena di Era Otonomi Daerah.* Jakarta: Ghalia Indonesia.
12 Naning Fatmawatie. (2016). *Otonomi Daerah dan Pendapatan Daerah.* Kediri: STAIN Kediri Press.

activities that could otherwise generate long-term revenue. Therefore, successful PAD enhancement should focus on expanding the tax base, improving taxpayer compliance, reducing revenue leakages, and encouraging productive economic activities. Local governments should also evaluate whether regional taxation policies contribute to a favorable investment climate and support the development of micro, small, and medium enterprises. The balance between revenue generation and economic growth is particularly important because sustainable PAD depends on the continued development of productive economic activities within the region.[13]

The relationship between PAD and sustainable development can also be examined through the allocation of regional expenditure to essential public services. Increased regional revenue should generate improvements in infrastructure, education, healthcare, environmental protection, transportation, and community empowerment. Research by Badrudin and Siregar concerning regional financial capacity and economic development demonstrates the importance of connecting fiscal management with regional economic performance. In this regard, the quality of regional expenditure becomes a critical factor in determining whether increased PAD produces meaningful development outcomes. Infrastructure investments, for example, can improve accessibility, facilitate trade, reduce transportation costs, and encourage private investment. Similarly, allocating sufficient resources to education and healthcare can improve human capital and strengthen long-term regional productivity. Therefore, the evaluation of PAD policies should consider not only revenue realization but also the social and economic impacts of public expenditure.[14]

Digital transformation and administrative innovation also play important roles in evaluating the effectiveness of PAD enhancement policies. The implementation of electronic tax systems, digital payment platforms, integrated taxpayer databases, and electronic retribution management can improve collection efficiency and strengthen financial accountability. Digitalization enables regional governments to monitor transactions more accurately, reduce administrative costs, and minimize opportunities for corruption and revenue leakage. However, the effectiveness of these innovations depends on technological infrastructure, institutional readiness, human resource competence, and public accessibility. Evaluation should therefore examine whether digital systems have increased taxpayer compliance, reduced collection time, improved reporting accuracy, and strengthened public confidence in regional financial administration. Continuous monitoring is necessary to identify technical obstacles and ensure that digital transformation produces measurable improvements in regional revenue performance.[15]

Furthermore, strengthening institutional accountability is essential to ensuring that PAD enhancement policies support sustainable regional development. Local governments must establish effective internal control mechanisms, conduct regular financial evaluations, and strengthen coordination between regional revenue agencies and other government institutions. Public participation should also be encouraged through transparent reporting of regional revenue realization and budget utilization. When communities understand how their tax contributions are used to finance public services and development programs, public trust and willingness to comply with tax obligations can improve. Independent audits and performance evaluations are also necessary to identify inefficiencies, prevent financial irregularities, and strengthen the credibility of regional financial management. These mechanisms demonstrate that fiscal independence is not simply a matter of revenue collection but also reflects the quality of governance and institutional responsibility.[16]

13 M. Suparmoko. (2002). *Ekonomi Publik untuk Keuangan Daerah.* Yogyakarta: Penerbit Andi.
14 Machfud Sidik. (2002). *Dana Perimbangan: Dan Upaya Mengoptimalkan Pendapatan Asli Daerah.* Jakarta: PT RajaGrafindo Persada.
15 Abdul Halim. (2004). *Manajemen Keuangan Daerah.* Yogyakarta: UPP AMP YKPN.
16 Mahfud Nurnajamuddin et al. (2025). *Strategi Peningkatan Pendapatan Asli Daerah.* Ponorogo: CV. Inovasi

Another important consideration is the long-term sustainability of regional revenue sources. Local governments should avoid excessive dependence on revenue derived from non-renewable natural resources or temporary economic activities. Instead, they should develop diversified revenue structures supported by productive sectors such as agriculture, tourism, manufacturing, trade, creative industries, and digital businesses. Regional-owned enterprises should also be managed professionally to provide sustainable financial contributions. Furthermore, environmental considerations must be integrated into regional economic policies to ensure that revenue-generating activities do not undermine ecological balance or the availability of natural resources for future generations. This approach is particularly important for regions whose economies depend heavily on natural resources, because short-term increases in revenue may create long-term environmental and economic risks if development is not managed responsibly.[17]

Ultimately, evaluating PAD enhancement policies requires a comprehensive framework that integrates fiscal performance, institutional accountability, economic development, and social welfare. Regional governments must assess the effectiveness of revenue collection, the degree of fiscal independence, the efficiency of budget allocation, and the contribution of public expenditure to sustainable development. The evaluation process should also identify regional disparities, administrative limitations, and opportunities for policy innovation. Increasing PAD should not become an end in itself but should function as a means of strengthening regional autonomy and improving the quality of life of local communities. Through evidence-based policymaking, transparent financial governance, economic diversification, and continuous institutional improvement, local governments can establish a more independent and resilient fiscal system. Consequently, effective PAD enhancement policies can contribute to reducing fiscal dependency, strengthening regional competitiveness, promoting equitable development, and achieving sustainable regional development throughout Indonesia. [18]

D. CONCLUSION

The implementation of regional autonomy in Indonesia requires effective policy strategies to strengthen Locally-Generated Revenue (Pendapatan Asli Daerah/PAD) as a fundamental instrument for achieving regional fiscal independence and sustainable development. Based on the analysis, strengthening the legal and regulatory framework is essential to ensuring that regional revenue management operates within clear, transparent, accountable, and equitable legal principles. The existing regulatory framework provides local governments with the authority to manage regional taxation, retribution, and other legitimate revenue sources. However, its effectiveness depends on consistent implementation, institutional capacity, regulatory harmonization, and adequate supervision to prevent overlapping policies and potential abuses of authority. Furthermore, optimizing local revenue sources requires comprehensive strategies that focus on identifying regional economic potential, expanding tax bases, improving taxpayer compliance, and strengthening the management of regional assets and Regional-Owned Enterprises. Innovation in tax and retribution administration, particularly through digital transformation and integrated financial information systems, can improve collection efficiency, minimize revenue leakages, and enhance public accountability. Nevertheless, revenue enhancement policies must consider the economic capacity of local communities and maintain a favorable investment climate to ensure that fiscal policies do not obstruct regional economic growth. The evaluation of PAD enhancement policies also demonstrates the importance of measuring fiscal independence through revenue effectiveness, PAD

Publishing Indonesia.

17 Mardiasmo. (2018). *Otonomi dan Manajemen Keuangan Daerah: Edisi Terbaru*. Yogyakarta: Penerbit Andi.

18 Mudrajad Kuncoro. (2014). *Otonomi dan Pembangunan Daerah: Reformasi, Perencanaan, Strategi, dan Implementasi*. Jakarta: Erlangga.

growth, and the contribution of locally-generated revenue to total regional income. These indicators provide an important basis for assessing the performance of regional financial management and identifying areas requiring policy improvement. Moreover, increasing PAD should be accompanied by improvements in public services, infrastructure development, education, healthcare, and equitable economic opportunities. In conclusion, strengthening Locally-Generated Revenue requires an integrated approach involving regulatory improvement, revenue diversification, administrative innovation, and accountable fiscal governance. Local governments must develop revenue policies based on their respective economic characteristics and development priorities. Through effective implementation and continuous evaluation, PAD can become a sustainable financial foundation for reducing dependence on central government transfers, strengthening regional autonomy, improving public welfare, and achieving inclusive and sustainable regional development in Indonesia.

BIBLIOGRAPHY

Journals:

Bintang Adi Putra, Bimantoro Yusuf Habibie, Muhammad Akbar Ramadhan, M. Luthfi Arya Putra, and Nazwatul Khusna, "Metodologi Penelitian Hukum Normatif dalam Perspektif Konsep dan Teknik Analisis dalam Kajian Yuridis," *Jurnal Kajian Ilmiah Multidisipliner 10*, no. 4 (2026): 97 112.

Guzali. Strategi Peningkatan Pendapatan Asli Daerah Melalui Diversifikasi Sumber Pad, Optimalisasi Pengelolaan Pajak Dan Retribusi Daerah Serta Penguatan Peran Bumd Guna Mendorong Kemandirian Keuangan Daerah. *Jurnal Selodang Mayang*. Vol. 11 No. 2, Agustus 2025. DOI: https://doi.org/10.47521/selodangmayang.v11i2.467

Hawila Pupe Nabasa N & Ikhsan Budi Riharjo. Kebijakan Dan Strategi Peningkatan Pendapatan Asli Daerah (Pad) Melalui Intensifikasi Dan Ekstensifikasi Di Kota Surabaya. *Jurnal Ilmu dan Riset Akuntansi*. Volume 10, Nomor 11, November 2021.

Julio Chandra Purnama Kusuma, Puji Astuti, Firdaus Agus & Syartiwidya. Strategi Peningkatan Pendapatan Asli Daerah (PAD) Menggunakan Logical Framework Analysis (Lfa) Di Kabupaten Siak, Provinsi Riau. *Journal of Urban and Regional Planning for Sustainable Environment.* Vol. 3 No. 02 (2024).

Ma'ruf Akib, Wahyudi Umar & Marjani. Strategi Peningkatan Pendapatan Asli Daerah (PAD) Melalui Optimalisasi Pajak dan Retribusi di Kota Kendari. *Al-Ahkam Jurnal Hukum Pidana Islam*, Vol 5 No 2 (2023). DOI: https://doi.org/10.47435/al-ahkam.v5i2.2238

Neelam Noeridha & Nadia. Strategi Peningkatan Pendapatan Asli Daerah (Pad) Melalui Penggalian Potensi Ekonomi Daerah Di Provinsi Kepulauan Riau. *PUBLICNESS: Journal of Public Administration Studies*. Vol. 2 No. 2 (2023). DOI: https://doi.org/10.24036/publicness.v2i2.100

Nourel Islamay Diandra, Anung Mabila, Yashinta Zahra Alfitri, Dian Puspita Sari, Naela Faiza Khaerani, Sifah Maharani, Nabila Laura, Nayla Azizah, Ziya Ibnuwafi, Febra Anjar Kusuma & Ana Mentari. (2025). Peningkatan Sumber Pendapatan Daerah, Peningkatan Pendapatan Pajak& Retribusi Daerah. *JURNAL ILMIAH EKONOMI, MANAJEMEN, BISNIS DAN AKUNTANSI*, 3(1), 57–68. https://doi.org/10.61722/jemba.v3i1.1838

Nurhayati. "Analisis Potensi Pajak Daerah dalam Meningkatkan Pendapatan Asli Daerah Kabupaten Rokan Hulu." *Jurnal Ilmiah Cano Ekonomos*, Vol. 4 No. 2 Juli 2015.

Tri Ratnawati. Upaya Meningkatkan Pendapatan Asli Daerah (PAD) Dalam Era Otonomi Daerah. *DIE –Jurnal Ilmu Ekonomi dan Manajemen.* Volume 5 Nomor 2. Januari 2009. DOI: https://doi.org/10.30996/die.v5i2.48

Books:

Alhusain, Achmad Sani, Ariesy Tri Mauleny, Nidya Waras Sayekti, dan Lisnawati. 2018. *Kebijakan dan Strategi Peningkatan Pendapatan Asli Daerah dalam Pembangunan Nasional. Diedit oleh Carunia Mulya Firdausy*. Jakarta: Yayasan Pustaka Obor Indonesia.

Banga, Wempy. 2020. *Administrasi Keuangan Negara dan Daerah: Konsep, Teori, dan Fenomena di Era Otonomi Daerah*. Jakarta: Ghalia Indonesia. Katalog Online Perpustakaan.

Fatmawatie, Naning. 2016. *Otonomi Daerah dan Pendapatan Daerah*. Kediri: STAIN Kediri Press.

Halim, Abdul. 2004. *Manajemen Keuangan Daerah*. Yogyakarta: UPP AMP YKPN.

Kuncoro, Mudrajad. 2014. *Otonomi dan Pembangunan Daerah: Reformasi, Perencanaan, Strategi, dan Implementasi.* Jakarta: Erlangga.

Mardiasmo. 2018. *Otonomi dan Manajemen Keuangan Daerah: Edisi Terbaru*. Yogyakarta: Penerbit Andi. Google Books.

Nurnajamuddin, Mahfud, Budiandriani, Khairina Rosyadah, dan Ridhan Rahmah. 2025. *Strategi Peningkatan Pendapatan Asli Daerah*. Diedit oleh Eka Yeyen Nuraini. Ponorogo: CV. Inovasi Publishing Indonesia.

Sidik, Machfud. 2002. *Dana Perimbangan: Dan Upaya Mengoptimalkan Pendapatan Asli Daerah*. Jakarta: PT RajaGrafindo Persada.

Suparmoko, M. 2002. *Ekonomi Publik untuk Keuangan Daerah*. Yogyakarta: Penerbit Andi.