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Strengthening Local Retribution to Enhance Local Own Source Revenue

Arthur Reinaldo Tanihatu [1)]
Olivia Laura Sahertian [2)]

[1,2)] **Politeknik Negeri Ambon, Ambon, Maluku, Indonesia**
sahertianolivia25@gmail.com

Abstract

Local retribution is an important source of Local own source revenue (PAD) that supports regional fiscal capacity. However, many local governments face challenges in optimizing retribution performance. This study aims to analyze the contribution, effectiveness, and growth of local retribution revenue and identify factors affecting its performance in Ambon City, Indonesia. Using a mixed methods approach, this study examines budgeted and realized retribution revenue data from 2023–2025 and qualitative evidence from interviews with three local government officials. The findings indicate that local retribution has not yet optimally supported PAD, as reflected in declining contribution and negative growth performance, while effectiveness fluctuated during the study period. The decline was influenced by weak supervision, unrealistic targets, limited revenue potential mapping, manual collection systems, insufficient digitalization, low public awareness, and inadequate infrastructure. This study highlights the importance of integrating financial analysis with institutional factors to strengthen local revenue management.

Keywords : Retribution, Local own source revenue (PAD), Contribution, Effectiveness, Growth

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Introduction

The development of public sector accounting in Indonesia has accelerated considerably following the implementation of regional autonomy and fiscal decentralization policies. These reforms were initiated through Law No. 22 of 1999 on Regional Government and Law No. 25 of 1999 on Fiscal Balance between the Central and Regional Governments, which were subsequently strengthened by Law No. 33 of 2004 on Fiscal Balance between the Central Government and Regional Governments. Collectively, these regulatory reforms have transformed local public financial management by granting greater fiscal authority to regional governments while encouraging improvements in accountability, efficiency, transparency, and financial independence.

The implementation of fiscal decentralization is closely associated with Fiscal Federalism Theory, which argues that local governments are better positioned than the central government to identify local needs and allocate public resources efficiently (Oates, 1972). Accordingly, the success of decentralization depends not only on the transfer of fiscal authority but also on the capacity of local governments to generate sustainable local revenue and manage it effectively. From this perspective, local own source revenue (Pendapatan Asli Daerah/PAD) serves as an important indicator of regional fiscal independence because it reflects the ability of local governments to finance public services using locally generated resources.

Among the major components of local own source revenue are local taxes and local retributions. Local retributions are compulsory payments imposed on individuals or business entities for specific public services or permits provided by local governments (Mardiasmo, 2018). As revenues generated directly within the jurisdiction, local retributions play a strategic role in strengthening fiscal capacity while reducing dependence on transfers from the central government. According to Mardiasmo, (2018), optimizing local revenue sources is essential for ensuring the sustainability of regional development and improving public welfare.

Despite continuous efforts to improve revenue administration, the realization of Local own source revenue in Ambon City has consistently remained below the budgeted target during the 2023–2025 period. Although the realization exceeded 85% each year, the remaining gap between the budgeted and realized revenue indicates that substantial revenue potential has not yet been fully utilized.

Ambon City's Original Regional Income

Years	Local Original Revenue (PAD)		%
	Budgeted	Realization	
2023	302.368.579.761,00	243.755.615.795,88	90,64
2024	224.019.863.151,00	194.981.209.079,86	87,04
2025	262.952.752.871,00	162.761.891.568,30	92,70

Source; BPKAD, (2026)

A similar pattern is observed in the realization of local retribution revenue. During the same period, revenue realization remained substantially below the established targets, with the achievement rate declining from 64.14% in 2023 to below 50% in both 2024 and 2025. This trend indicates that local retributions have not yet reached their full revenue generating potential, thereby limiting their contribution to regional fiscal capacity.

Local Retributions of Ambon City

Years	Local Retribution		(%)
	Budgeted	Realization	
2023	54.563.301.824	34.994.461.202	64,14
2024	47.589.590.605	22.736.197.724	47,78
2025	36.965.911.712	18.252.794.490	49,38

Source; BPKAD, (2026)

Several institutional and operational challenges contribute to the underperformance of local retribution collection in Ambon City. These include an insufficient number of collection officers, limited technical competence in administering certain categories of local retributions, weak monitoring and accountability mechanisms, and the potential for revenue leakage. From the demand side, limited public awareness of retribution regulations, inadequate understanding of the benefits of local retributions, and relatively low taxpayer compliance further constrain revenue collection. Collectively, these challenges indicate that improving local revenue performance requires not only effective financial management but also stronger institutional capacity and greater community participation.

The role of local retributions in strengthening regional fiscal capacity has been widely discussed in previous studies, although the findings remain inconclusive. Wardani and Trisnaningsih, (2022) reported that local retributions made a significant contribution to regional revenue and were collected effectively in Karanganyar Regency. In contrast, Pattimau, (2024) found that the contribution of local taxes and retributions in Kupang City fluctuated considerably and that collection effectiveness remained relatively low. Likewise, Fathia et al., (2025) found that local retributions in Sigi Regency contributed only modestly to local own source revenue, while their growth performance remained unsatisfactory. Similar conclusions were reported by Sindang et al., (2025) and Rusman et al., (2025), who found that local retributions had not yet become a major source of regional revenue. Conversely, Khoryani et al., (2025) and Heriyanto and Rioni, (2025) emphasized that optimizing local revenue sources is fundamental to strengthening regional financial independence.

Previous studies have demonstrated that local taxes and retributions are important determinants of Local Own-Source Revenue (PAD). Research examining the influence and contribution of local taxes and retributions on PAD shows that optimizing these revenue sources is essential for strengthening regional fiscal capacity (Jacobs et al., 2022). Similarly, studies on local retribution performance indicate that contribution, effectiveness, and revenue growth remain important indicators for evaluating the success of local revenue management (Sunaningsih et al., 2021; Fitra et al., 2020).

Despite the growing body of literature, several important research gaps remain. Existing studies have generally examined the contribution, effectiveness, and growth of local retributions separately, resulting in fragmented evaluations of revenue performance. Moreover, quantitative performance assessments are rarely complemented by analyses of the institutional and operational factors that explain why revenue realization remains below target. Furthermore, empirical evidence from island based local governments remains limited, despite their distinctive geographical, administrative, and economic characteristics that may influence local revenue collection. Consequently, a more comprehensive assessment is needed to better understand the multidimensional performance of local retributions within decentralized fiscal systems.

Accordingly, this study aims to analyze the contribution of local retributions to local own source revenue, evaluate the effectiveness of local retribution collection, examine the growth of local retribution revenue, and identify the institutional and operational factors contributing to the decline in revenue realization in Ambon City. The novelty of this study lies in the development of a multidimensional framework for evaluating local retribution performance. Unlike previous studies that primarily focus on a single performance indicator, this study integrates contribution, effectiveness, and growth analyses with an examination of the institutional and operational determinants of revenue performance. By combining financial performance indicators with governance related factors, the study provides a more comprehensive assessment of local retribution management in the context of fiscal decentralization.

This study contributes to the literature in three important ways. First, it extends the application of Fiscal Federalism Theory by demonstrating that regional fiscal independence depends not only on the authority to collect local revenue but also on the institutional capacity to manage that authority effectively. Second, it proposes an integrated analytical framework that combines financial and institutional dimensions to evaluate local retribution performance more comprehensively than previous approaches. Third, the findings provide practical recommendations for strengthening revenue administration, improving accountability, enhancing collection effectiveness, and optimizing local own source revenue, while enriching empirical evidence from island based local governments that remain underrepresented in the fiscal decentralization literature.

Theoretical Framework

Contingency Theory

Contingency Theory argues that no single management approach or organizational control system is universally applicable to every organization. Instead, organizational effectiveness depends on the degree of alignment between managerial practices and the internal and external conditions in which an organization operates, (Otley, 1980). This perspective emphasizes that organizational performance is influenced by contextual factors such as institutional arrangements, organizational structure, environmental uncertainty, resource availability, and managerial capability.

According to Stoner et al., (1995), the contingency approach views management as situational, suggesting that managerial practices capable of achieving organizational objectives vary according to the circumstances faced by each organization. Consequently, organizations are expected to adopt flexible management strategies rather than relying on standardized practices. Extending this perspective, Chenhall, (2003) argues that management control systems are most effective when they are designed to fit the specific organizational context, including strategy, organizational structure, environmental dynamics, and operational complexity. Therefore, organizational performance depends not only on the existence of management systems but also on how well these systems respond to contextual conditions.

In the context of local public financial management, Contingency Theory provides a relevant framework for explaining variations in local retribution performance among regional governments. Differences in institutional capacity, administrative procedures, human resource competence, governance quality, and community participation may influence the contribution, effectiveness, and growth of local retributions. Accordingly, the performance of local revenue collection cannot be understood solely through financial indicators but should also consider the institutional and operational conditions under which local governments manage their revenue sources. This perspective underpins the present study by explaining that the performance of local retributions in Ambon City is contingent upon the compatibility between revenue management practices and the local government's organizational and environmental context.

Local Own Source Revenue (PAD)

Local own source revenue (PAD) refers to the revenue generated by regional governments from sources within their own administrative jurisdictions and collected based on local regulations in accordance with applicable legal provisions (Yani, 2010). According to Law No. 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments, PAD consists of income derived from local taxes, regional retributions, proceeds from the management of separated regional assets, and other legitimate sources of regional revenue.

The primary purpose of PAD is to strengthen the fiscal capacity of local governments by providing greater authority and flexibility in financing regional autonomy based on local potential and characteristics. Within the framework of fiscal decentralization, the capacity of local governments to generate their own revenue represents an important indicator of fiscal independence because it determines their ability to provide public services, implement development programs, and respond to community needs without excessive dependence on central government transfers.

From the perspective of Fiscal Federalism Theory, the effectiveness of decentralization depends not only on the delegation of authority but also on the ability of local governments to mobilize and manage financial resources independently. Oates, (1972) argues that decentralization can improve public sector efficiency when local governments possess adequate authority and resources to provide services according to local preferences. Therefore, optimizing PAD becomes a crucial mechanism for strengthening local accountability, improving public service delivery, and achieving sustainable regional development.

PAD comprises several components, including local tax revenue, regional retribution revenue, revenue from the management of separated regional assets, and other legitimate regional revenues. Among these components, regional retributions have an important role because they are directly associated with specific services and permits provided by local governments. Consequently, the performance of regional retribution collection, reflected through its contribution, effectiveness, and growth, provides an important indication of a region’s capacity to optimize its fiscal resources.

A region’s financial capacity determines its ability to implement autonomy effectively. Strong financial capacity enables local governments to design and execute development programs, improve public services, and respond to changing community demands. Conversely, limited financial capacity may constrain the achievement of regional development objectives. Therefore, improving the performance of PAD, particularly through the optimization of regional retributions, is essential for strengthening regional fiscal independence.

Local Retributions

Local retributions refer to compulsory payments imposed by local governments on individuals or organizations as compensation for specific services or permits provided by the government. As one of the components of PAD, local retributions serve as an important instrument for strengthening regional fiscal capacity and supporting the implementation of regional autonomy. Unlike taxes, local retributions are generally associated with direct benefits received by users of public services or permit holders.

Based on the regulatory framework of regional financial management, local retributions are categorized according to the nature of services or permits provided by local governments. Service based retributions arise from government activities that provide facilities, goods, services, or other benefits that can be utilized by individuals or organizations. These services include general services, business services, and specific licensing services.

General service retributions are collected from public services provided to fulfill community needs and support public interests. Business service retributions are related to services provided by local governments based on business oriented principles, where similar services may also be provided by private entities. Meanwhile, specific licensing retributions are imposed for permits that regulate certain activities to maintain public order, ensure compliance with standards, and protect public and environmental interests.

From the perspective of fiscal decentralization, effective local retribution management reflects the capacity of local governments to mobilize internal financial resources while maintaining accountability and service quality. Therefore, the performance of local retributions, measured through contribution, effectiveness, and growth, represents an important indicator of regional fiscal independence and the success of local revenue management.

Method

This study employs a mixed methods approach by combining quantitative and qualitative data analysis to examine the performance of local retribution management in

Ambon City. The quantitative approach was used to measure the contribution, effectiveness, and growth of local retribution revenue, while the qualitative approach was applied to explore the institutional and operational factors underlying the achievement or underachievement of revenue targets.

The study utilizes secondary data obtained through document analysis. The data include budgeted and realized PAD and local retribution revenue of Ambon City during the period of 2023–2025. The data were collected from relevant local government agencies responsible for managing and administering local retribution revenues. In addition to secondary data, qualitative information was obtained through interviews with three informants who were directly involved in local retribution management and collection.

The qualitative analysis employed a phenomenological approach to understand the experiences, perceptions, and practical challenges encountered by local government officials in managing local retributions. This approach enables the study to identify institutional and operational factors that may influence revenue collection performance. Meanwhile, quantitative analysis was conducted using descriptive analysis to evaluate local retribution performance based on three indicators: contribution, effectiveness, and growth. The integration of quantitative and qualitative findings provides a more comprehensive understanding of local retribution performance in Ambon City.

The contribution of local retribution to PAD was calculated using the following formula:

Contribution = $\frac{Local\ retribution\ \ for\ a\ certain\ year}{R\text{Local Own−Source Revenue}for\ a\ certain\ year}\ x100\%$

Criteria for the Contribution

Percentage	Criteria
≥ 50	Very good
40-50	Good
30-40	Average
20-30	Sufficient
10-20	Poor
≤ 10	Very poor

Source; Halim, (2002)

The formula for measuring the effectiveness of local retribution collection is as follows:

Effectiveness = $\frac{Realization\ of\ Local\ Retribution}{Local\ Retribution\ Target}\ x100\%$

Criteria for the Effecttiveness

Percentage	Criteria
≥ 50	Very effective
40-50	Effective
30-40	Fairly effective
20-30	Less effective
10-20	In-effective

Source; Halim, (2002)

The formula for the growth rate of retribution revenue (Gx)(G_x)(Gx) is as follows:

Growth Rate = $\frac{Xt - X\,(t-1)}{X\,(t-1)}$ x 100%

Where:

Gx ; Growth rate of retribution revenue.

Xt ; Realized retribution revenue in a given year.

X(t−1) ; Realized retribution revenue in the previous year

Criteria for the Growth of Local Retribution

No	Growth Rate (%)	Criteria
1	85% - 100%	Very Successful
2	70% - 85%	Successful
3	55% - 70%	Moderate Successful
4	30% - 55%	Less Successful
5	< 30%	Unsuccessful

Source; Halim, (2002)

Discussion of Research Results

Contribution Analysis

Based on the calculation results, the contribution of local retribution in 2023 was

$\frac{34.994.461.202}{243.755.615.795}$ x 100% = 14,36%

In 2024, the contribution decreased to:

$\frac{22.736.197.724}{194.981.209.079}$ x 100% = 11,66%

Furthermore, in 2025, the contribution slightly declined to:

$\frac{18.252.794.490}{162.761.891.568}$ x 100% = 11,21%

Contribution of Local Retribution to Local own source revenue (2023–2025)

Years	Local Retribution	Local Own Source Revenie	Percentage (%)	Criteria
2023	34.994.461.202	243.755.615.795	14,36%	Poor
2024	22.736.197.724	194.981.209.079	11,66%	Poor
2025	18.252.794.490	162.761.891.568	11,21%	Poor
	Mean		**12,41%**	**Poor**

Source; Research data processing results, (2026) The amount of local retribution contributing to PAD went down from 2023 to 2025. In 2023, local retribution contributed the most, making up 14.36%, and this was considered a low level. In 2024, the contribution dropped to 11.66%, which is still considered low. In 2025, the contribution dropped once more to 11.21%, which was also considered low.

On average, local retribution contributed about 12.41% to PAD over the three year period, which shows that its impact was relatively small. So, in the past three years, local retribution revenue has contributed only a small amount to the total PAD. This situation shows that local retribution isn't currently a major part of the region's income.There is a need to work on collecting and handling it better so that the region's financial strength can be improved.

Effectiveness

Based on the calculations, the effectiveness level in 2023 was:

$\frac{34.994.461.202}{54.563.301.824}$ x 100% = 64,14%

In 2024, the effectiveness ratio decreased to:

$\frac{22.736.197.724}{47.589.590.605}$ x100% = 47,78%

Furthermore, in 2025, the effectiveness ratio slightly increased to:

$\frac{18.252.794.490}{36.965.911.712}$ x100% = 49,38%

Effectiveness of Local Retribution (2023–2025)

Years	Local Retribution		Effecttiveness Ratio	Criteria
	Target	Realization		
2023	54.563.301.824,80	34.994.461.202,00	64,14%	Very effective
2024	47.589.590.605,00	22.736.197.724,00	47,78 %	Effective
2025	36.965.911.712,00	18.252.794.490,00	49,38%	Effective
Mean			53,77%	Very effective

Source; Research data processing results, (2026)

The effectiveness of local retribution revenue is measured by comparing the actual retribution revenue with the budgeted local retribution target. Based on Table 8, it can be seen that from 2023 to 2025, the effectiveness of local retribution collection was generally satisfactory, although it fluctuated over the period.

In 2023, the effectiveness ratio was 64.14%, and it was considered very effective. However, the ratio dropped in 2024 to 47.78%, which put it into the effective category. In 2025, the effectiveness ratio went up a little to 49.38%, but it stayed within the effective range.

On average, local retribution revenue was about 53.77% effective during the 2023–2025 period, which is considered very effective. Effectiveness is about how well planned goals or targets can be reached or carried out.So, in summary, local retribution revenue collection has mostly met the budget goals over the past three years, even though there were some ups and downs during the time we studied.

Growth

Based on the available data, the growth rates for 2024 and 2025 are calculated as follows:

For 2024 : $\frac{22.736.197.724-34.994.461.202}{34.994.461.202}$ x100% = -35,03%

For 2025 : $\frac{18.252.794.490-22.736.197.724}{22.736.197.724}$ x100% = -19,72%

Growth of Local Retribution Revenue (2023–2025)

Years	Realization of Local Retribution (Rp)	Growth Rate (%)	Criteria
2023	34.994.461.202	-	-
2024	22.736.197.724	-35,03%	Unsuccessful
2025	18.252.794.490	-19,72%	Unsuccessful

Source; Research data processing results, (2026)

The growth performance of local retribution revenue in Ambon City was classified as unsuccessful during the 2023–2025 period. The calculation results indicate that local retribution revenue experienced negative growth, reflecting the inability of the Ambon City Government to achieve sustainable improvement in revenue performance. In 2024, local retribution revenue decreased by 35.03%, with realized revenue amounting to IDR 22,736,197,724. In 2025, the decline continued, with negative growth of 19.72% and realized revenue decreasing further to IDR 18,252,794,490. The persistent negative growth indicates that local retribution management has not yet effectively optimized available revenue potential.

The qualitative findings obtained through interviews with local government officials indicate that the decline in local retribution revenue was influenced by several institutional, administrative, and external factors. According to Mr. RH, Head of the Division of Verification, Bookkeeping, Objection Review, Validation, and Tax Audit, one of the main challenges is that existing retribution potential has not been comprehensively identified and scientifically assessed. Revenue targets are frequently established based on assumptions rather than accurate assessments of actual revenue potential. Consequently, discrepancies between revenue targets and realization remain significant.

Furthermore, Mr. RH explained that limited field supervision, inadequate infrastructure, and low public awareness regarding retribution obligations have negatively affected collection performance. Some community members are reluctant to pay retribution because they expect adequate facilities and services to be provided before fulfilling their payment obligations. In addition, limited understanding of retribution regulations has reduced compliance among service users.

Policy changes have also influenced the decline in specific retribution revenues. For instance, the expansion of free healthcare services through identity card based access and national health insurance programs has reduced revenue from health related retributions. Similarly, the absence of an effective collection mechanism for household waste retribution has limited revenue optimization in the waste management sector.

A similar perspective was expressed by Mr. RS, Head of the Ambon City Transportation Office, who emphasized weaknesses in field supervision and collection practices. According to him, some officers have not performed their collection responsibilities effectively, creating opportunities for revenue leakage. He further explained that legislative oversight has not yet fully supported revenue generating agencies in improving collection performance. In addition, the transfer of management responsibility for the new Mardika Market building to the Provincial Government of Maluku in 2024 reduced one of Ambon City's potential sources of retribution revenue.

The decline in economic activities in several sectors also contributed to reduced retribution revenues. Mr. RH noted that declining agricultural and livestock activities, particularly reduced cattle supply from Seram Island due to higher selling prices in Papua, affected related retribution income. Meanwhile, Mrs. N, Secretary of the Fisheries Office, explained that fish auction participants often resisted paying retribution fees because they expected improvements in supporting facilities and infrastructure. Furthermore, socio cultural factors, including kinship relationships and personal connections between collectors and taxpayers, sometimes influenced collection practices and reduced transparency.

Another important issue identified was the limited digital transformation of local retribution management. According to the informants, the collection system remains largely manual, resulting in inefficient procedures, limited transparency, and difficulties in monitoring revenue flows. Digitalization of retribution collection systems is therefore necessary to improve efficiency, accountability, and control mechanisms. However, successful digital transformation requires not only technological infrastructure but also competent human resources capable of managing modern revenue administration systems.

Overall, the decline in local retribution revenue in Ambon City cannot be attributed to a single factor. Instead, it reflects the interaction of multiple dimensions, including inaccurate revenue target setting, incomplete identification of revenue potential, weak supervision, administrative limitations, policy changes, socio cultural influences, inadequate digital systems, and external economic and environmental conditions. These findings suggest that declining retribution performance primarily reflects weaknesses in local revenue governance and management capacity rather than merely a decline in economic activity.

Discussions

The findings of this study indicate that the relatively low contribution and declining growth of local retribution revenue demonstrate that retribution has not yet become an optimal fiscal instrument for strengthening PAD in Ambon City. Although local retribution represents an important component of regional revenue, its contribution remains limited due to challenges in identifying potential sources, establishing realistic targets, and implementing effective collection mechanisms.

This finding is consistent with previous studies examining the role of local taxes and retributions in increasing PAD. Previous research has demonstrated that the contribution and performance of local revenue sources significantly influence the fiscal capacity of local governments. The optimization of local taxes and retributions is therefore essential for strengthening regional financial independence and supporting the implementation of decentralization policies (Jacobs et al., 2022). These findings reinforce the argument that improving PAD performance requires not only increasing revenue collection but also strengthening the effectiveness of local revenue management systems.

Similar findings have been reported by Sunaningsih et al., (2021), who found that the contribution of local retribution to regional own-source revenue in Magelang Regency was relatively low, indicating that retribution had not yet become a dominant source of local fiscal capacity. Their findings suggest that increasing local revenue requires improvements in collection effectiveness and better optimization of available revenue sources.

Furthermore, Fitra et al., (2020) demonstrated that local retribution performance should be assessed through multiple dimensions, including effectiveness, growth, and contribution. Their study emphasizes that effective collection does not always result in a significant contribution to PAD because revenue optimization also depends on the ability of local governments to identify potential sources, improve administrative systems, and strengthen collection strategies. This perspective is relevant to Ambon City, where the main challenge is not only the amount of collected retribution revenue but also the institutional capacity to manage and optimize available potential.

The present study extends previous research by examining local retribution performance through a multidimensional perspective that combines financial indicators and institutional analysis. While previous studies have mainly focused on measuring the contribution, effectiveness, or influence of local revenue sources, this study provides additional insights by exploring the underlying organizational and operational factors affecting retribution performance through qualitative evidence from local government officials. This approach explains why local governments may experience difficulties in achieving revenue targets despite the existence of potential revenue sources.

The findings also support the perspective of Fiscal Federalism Theory, which emphasizes that fiscal decentralization requires not only the transfer of authority but also the capacity of local governments to mobilize and manage financial resources effectively (Oates, 1972). In the context of Ambon City, the existence of potential retribution sources does not automatically lead to increased revenue realization because institutional capacity, administrative systems, and governance practices determine the extent to which these resources can be optimized.

Furthermore, the findings are consistent with Contingency Theory, which argues that organizational performance depends on the alignment between management systems and contextual conditions (Otley, 1980; Chenhall, 2003). The performance of local retribution collection in Ambon City is influenced by various contextual factors, including administrative capacity, regulatory changes, technological readiness, socio cultural characteristics, and environmental conditions. Therefore, a standardized approach to revenue management may not generate optimal results without considering the specific characteristics and challenges faced by each local government.

From a practical perspective, this study highlights several priorities for improving local retribution performance. First, local governments need to develop evidence based mapping of retribution potential to establish realistic and achievable revenue targets. Second, strengthening supervision and accountability mechanisms is necessary to minimize revenue leakage and improve collection discipline. Third, digital transformation should be accelerated to enhance transparency, efficiency, and monitoring of retribution transactions. Fourth, improving public awareness and service quality is essential because community willingness to pay retribution is closely related to perceived benefits and the quality of public services received.

Overall, this study contributes to the literature by demonstrating that local retribution performance should not be evaluated solely based on financial outcomes but also through institutional and contextual factors shaping revenue management practices. By integrating quantitative performance measurement with qualitative institutional analysis, this research provides a more comprehensive explanation of the challenges faced by island-based local governments, such as Ambon City, in strengthening fiscal independence through local revenue optimization.

Conclusion

This study examined the contribution, effectiveness, and growth performance of local retribution revenue in Ambon City during the 2023–2025 period. The findings indicate that local retribution performance experienced fluctuations; however, the overall trend demonstrated a decline, particularly reflected in the decreasing contribution to PAD and negative revenue growth during the study period. This condition indicates that local retribution has not yet become an optimal fiscal instrument for strengthening regional financial independence.

The decline in local retribution performance was influenced by several interconnected factors, including weak supervision, limited digitalization of collection systems, low public awareness, unrealistic revenue target setting, insufficient information dissemination, and inadequate supporting infrastructure. These findings demonstrate that the challenge of improving local retribution revenue is not merely related to the availability of revenue sources but also to the capacity of local government institutions to identify, manage, and optimize existing potential.

The study highlights that increasing local retribution revenue requires more than simply establishing higher revenue targets. Instead, improvement should focus on evidence based revenue planning, comprehensive mapping of retribution potential, strengthening administrative capacity, and improving collection and monitoring mechanisms. Therefore, a more integrated and data driven local retribution management system is essential to support sustainable growth of PAD in Ambon City.

This study contributes to the literature by demonstrating that local retribution performance should be understood through both financial indicators and institutional contexts. By combining quantitative assessment of contribution, effectiveness, and growth with qualitative analysis of management challenges, this research provides a more comprehensive understanding of the factors influencing local revenue optimization, particularly in an island based local government context.

Recommendations

Based on the findings, several practical recommendations are proposed. First, the Ambon City Government should strengthen revenue planning by conducting periodic assessments and comprehensive mapping of retribution potential to ensure that revenue targets are realistic and based on empirical conditions. Second, supervisory mechanisms should be improved to minimize revenue leakage and ensure that revenue collection is conducted transparently and accountably.

Third, the implementation of integrated digital collection systems should be accelerated to improve efficiency, transparency, and monitoring capacity in local retribution management. Digital transformation should be accompanied by strengthening the competence of personnel responsible for revenue administration. Fourth, public awareness and communication strategies should be improved to encourage compliance with retribution obligations by providing clearer information regarding regulations, payment procedures, and the relationship between retribution payments and public service improvement. Furthermore, local governments should prioritize improvements in supporting infrastructure and service quality because public willingness to pay retributions is closely associated with the perceived benefits and quality of services received.

Limitation and Future Research

This study has several limitations. First, the analysis was limited to three dimensions of local retribution performance, namely contribution, effectiveness, and growth, without incorporating other fiscal components that may influence overall regional financial performance. Second, the factors affecting local retribution performance were identified through qualitative analysis, but their relative influence was not empirically tested using statistical models. Third, the study focused on a limited observation period (2023–2025), which may not fully capture long term changes resulting from policy reforms, technological development, and economic dynamics.

Future research is encouraged to extend the observation period by employing longitudinal or panel data approaches to examine the sustainability of local retribution performance over time. Further studies may also develop explanatory models that incorporate institutional capacity, digitalization, supervisory mechanisms, taxpayer awareness, service quality, and infrastructure availability as determinants of local retribution performance. Comparative studies involving different regional governments, particularly between island based and mainland regions, are also recommended to provide broader insights and improve the generalizability of findings.

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