

Conference Paper

Barriers in Public Sector Innovation: Case Study in Increasing Local Own-Source Revenue in Makassar City

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Abstract.

The local own-source revenue (PAD) component, which is a source of income for the Makassar city government, consists of regional taxes, regional levies, the results of separated regional wealth management, and other legitimate regional original income. According to Mulgan and Albury (2003), the measurement indicators used included several inhibiting factors. The data collection method used a qualitative descriptive method through observations, interviews, and documentation studies. Informant determination was performed using purposive sampling. Data analysis was performed through the stages of data reduction, data presentation, and drawing conclusions. The results illustrate that innovation programs are used, which are original ideas from the regional revenue department of Makassar city, namely the integrated and digitalized tax application commonly referred to as PAKINTA. The obstacles faced in implementing or creating innovations at the regional revenue department of Makassar city, based on data and facts, are the lack of implementation of training or technical guidance in adding skills for the department's employees who contribute to increased tax innovation. There are still several employees who have not received education and training related to PAD management. Another obstacle that organizations experience as barriers to innovation is the lack of awareness of taxpayers to report and pay taxes on time.

Keywords: barriers in public sector innovation, public sector, local own-source revenue

1. Introduction

The authority of autonomy is the discretion of the region that covers the governmental sector, except in the fields of foreign policy, defense and security, justice, monetary, fiscal, religion, and other areas of authority that will be determined by the government. In addition, the autonomy authority also covers performance, starting from planning, implementation, supervision to control, and evaluation.

Regional financial management, both at the provincial and district/city levels, has undergone changes since 2001. This was reinforced through Law Number 32 of 2004 concerning regional government, as amended by Law Number 23 concerning the Regional Government. With the enactment of this regulation, the region has become an

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opportunity to optimize various existing potentials, including human resources, funds, and other resources related to regional wealth. The essence of regional autonomy is full authority over the management and administration of the region, one of which is regional financial management.

The Makassar City Government is one of the city governments in South Sulawesi Province that has implemented regional autonomy in a broad, real, and responsible manner so that it has the authority to explore its own financial resources through its regional potentials, which are the hallmarks of an autonomous government. The implementation of regional autonomy requires regional financial capacity to support governance and development by extracting and increasing local own-source revenue (PAD). The components of local own-source revenue (PAD), which are a source of income for the Makassar City government, consist of regional taxes, regional levies, results of separated regional wealth management, and other legitimate regional original income.

The Makassar City Government is responsible for obtaining original regional revenue through innovation in the form of something tangible or intangible. Local government innovation must align with the expected innovation targets [1]. Mulgan and Albury [1] stated that there are several reasons why the public sector must innovate: (1) innovations are made to respond more effectively to the ever-increasing changing needs and expectations of the public; (2) incorporate cost elements and increase efficiency; (3) improve the delivery of public services, including those that have made little progress in the past; and (4) take full advantage of the use of information and communication technology, as this has been shown to improve efficiency and effectiveness in service delivery. In relation to the increase in regional original income, there are obstacles that affect regional governments' innovation performance.

If the synchronization between innovation in increasing local own-source revenue and indications of inhibiting factors in its implementation becomes the focus of this study, it aims to identify barriers to innovation in the public sector through case studies of increasing local own-source revenue.

Some theorists examine the broader context of public government innovation. Innovative activities for organizations are understood from a strategic perspective to seek organizational operational efficiency and quality, modernize goals, and improve organizational structure reform. Barriers to innovation are related to a lack of administrative creativity, inappropriately chosen models of the reinvention of governance and systemic reform, indicators of results-oriented behavior, and an inability to adapt well-proven public sector innovation best practices and organizational policies [2]. Borins [3] states that barriers in the public sector are classified into three groups: political barriers, which

arise in the political environment; internal barriers, which arise within organizations; and external barriers caused by the external environment. Mulgan and Albury [1] state that barriers to public sector innovation include delivery pressures and administrative burden, short-term budget and planning horizons, poor rewards and incentives for innovation, risk aversion culture, poor skills in risk or change management, and reluctance to cover for failure. programs or organizations.

According to Glor [4], barriers to innovation are related to several aspects of innovative thinking. Innovation breakdown is often the result of thinking, logical studies, quality assumptions and causal analysis, identification of possible alternatives, and testing and implementation errors. Glor [4] described the dilemmas that exist at every stage of the innovation process, which makes it difficult to think about innovation. The dilemmas faced by innovators are cultural dilemmas, challenges, and motivations. This dilemma clarifies that the public sector innovation process is a complex activity that requires careful assessment and essential thinking. Therefore, innovative thinking is essential for the transformation of the public sector, when innovation-oriented activities incorporate not only mechanical performance management tools and change mechanisms but also integrate the psychological dimension of organizational behavior change (Behn, 2002). Internal Barriers include lack of adequate human or financial resources, lack of management support, lack of incentives for staff, rejection of staff, and a risk-adverse culture. External Barriers: Regulatory requirements and uncertain acceptance by service users.

To identify innovation barriers, risk factors, and the efficiency of public organizations, the new public governance doctrine focuses on several public marketing opportunities. In the public sector, marketing is not only seen as a promotional tool for commercialization, which is directed at increasing sales of goods and services. Marketing projections of public sector organizations are understood as tools for evaluating the performance of strategic alternatives. Marketing here is a modern instrument between service consumers and service providers, between the formation of the basis of innovative ideology and the need for innovative practice, and between the quantitative and qualitative parameters of public services [5]. Bovaird and Loffer [5] presented a mixed public sector marketing model, which is a set of environments.

Mulgan and Albury [1] reveal that there are several factors inhibiting innovation, including (1) reluctance to close failed programs or organizations; (2) high dependence on one party as a source of innovation; (3) technology is available but not in accordance with organizational culture; (4) there are no rewards or incentives to innovate or adopt

innovations; (5) low skills in active risk or change management; and (6) short-term planning and budgeting (7) Culture of risk avoidance.

2. Methods

This study is based on a case study approach. This study describes and analyzes complex social phenomena [6]. Case study in Makassar City. The selection of the City of Makassar is based on the reason innovation in increasing local own-source revenue and indications of inhibiting factors in its implementation according to Mulgan and Albury [1] aims to identify barriers to innovation in the public sector through case studies of increasing local own-source revenue.

The data in this study used primary and secondary data, where secondary data were obtained from document reports published by the government and other reliable sources, including mass media. Then, primary data were obtained from the results of semi-structured in-depth interviews conducted to encourage participation for free understanding and perspective [7]. Six groups were selected for this study: (1) Head of Makassar City Regional Revenue Department, (2) Head of Regional Revenue Planning and Reporting Division, (3) Head of Regional Original Income Division, and (4) Head of Development and Supervision of Regional Revenue Division. The information of the four groups will be explored to determine the views of the actors involved in increasing the original regional income of Makassar City. Interviews were conducted from February to May 2023 at the Regional Revenue Department of Makassar City to generate diversified data for triangulation.

To analyze research findings on Barriers in Public Sector Innovation: Case Studies in Increasing Local Own-Source Revenue for the City of Makassar, the researcher undertakes the Miles and Huberman Interactive analysis model (1992). In this analysis model, data analysis activities are carried out interactively and continuously until completion, so that the data are saturated. The data analysis model includes (1) Data Reduction, that is, the data obtained from the field are quite a lot; therefore, it is necessary to immediately carry out data analysis through data reduction so that it can provide a clearer picture and make it easier for researchers to collect data. Further data and look for it if needed; (b) Data Display (Data Presentation), namely organizing data so that it is arranged in a relationship pattern, so it will be easier to understand. (2) Conclusion Drawing/verification (Miles and Huberman 1992).

3. Results and Discussion

Increasing Local Own-Source Revenue (PAD) for Makassar City is carried out by intensifying and extensifying as follows:

1. Carry out new data collection and re-data collection on sources of income (tax and levy objects) that exist in the City of Makassar.
2. Establishing cooperation with various parties/multi-stakeholders (private, BUMN, and BUMD) in the management and collection of taxes
3. Carry out monitoring and evaluation of the implementation, strategies, and policies implemented routinely.
4. Adjustment of tax and redistribution rates in accordance with the potential and capabilities of the people of Makassar City and adherence to applicable regulations.
5. Electronification of integrated PAD reception system
6. Development of PAD revenue potential
7. Formation of a cross-sector PAD team.

TABLE 1: Realization of Increase in Regional Original Income for the City of Makassar.

No	Year	Realization of Local Own Revenue	Local Tax Realization	Realization of Regional Retribution	Realization of Results of Processing Separated Regional Wealth	Realization of Other Legitimate Local Original Revenues
1.	2020	1,078,328,561,269.15	864,313,239,515.14	67,204,193,741.00	31,875,804.00	114,935,439,209.00
2.	2021	1,140,328,483,679.93	924,347,962,910.12	54,184,449,345.00	22,251,084,159.00	139,544,987,284.00
3	2022	1,387,904,746,600.23	1,187,382,679,963.82	71,478,482,421.00	17,444,726,095.00	111,598,840,120.00

Source: Makassar City Regional Revenue Department, 2023

The above table shows that the outcome of Makassar City Local Own-Source Revenue from 2020 to 2022 has increased from 1,078,328,561,269.15 IDR from 2020 to 2021, and 1,140,328,483,679.93 IDR until the peak in 2022 was 1,387,904,746,600.23 IDR. This is inseparable from the innovation program run by the Regional Revenue Agency government, namely, through the integrated and digitized tax application (PAK-INTA). PAKINTA can be achieved by downloading PlayStore and AppStore.

By carrying out the above efforts, in increasing local revenue in Makassar City, several obstacles were also found, including: (a) lack of awareness of taxpayers to report and

pay taxes on time and in the right amount, even though taxpayers have been given regular socialization; (b) there are still many potential sources of Regional Revenue that have not been exposed; (c) weak regional tax control system, where local governments need to improve the tax control system; and (d) there is still a lack of resources, both in terms of equipment/infrastructure and superstructure, as well as the quality and number of Human Resources of tax collectors in the context of increasing PAD.

3.1. Reluctance to Programs or Organizations

The program that is currently running at the Makassar City Regional Revenue Agency is that existing programs are still being implemented if based on the results of studies, monitoring, and evaluation, the program is still relevant to developments and needs in increasing PAD in Makassar City. Updates to existing programs are always carried out according to the needs and considerations of information technology. For example, (a) supervision of tax objects that initially placed personnel on tax objects has now been replaced by supervision using information technology-based monitoring tools (CCTV, Tapping Box, MPOS, etc.); (b) electronification of tax and tribution payments; and (c) integrating all tax and redistribution payment platforms/applications into one application. If the program that is currently running is not effective, periodic monitoring and evaluation of existing programs are carried out, and if there are problems, repairs, changes, or replacement of existing programs will be carried out. PAKINTA's innovation development strategy, in which development or integrated and digitized taxes are carried out, such as online taxpayer registration and digital self-assessment tax reporting. The provision of QR code facilities for digital tax payments at SKP-D and SPPT PBB as well as expanding digital payment channels to provide convenience to citizens in paying taxes. The next innovation strategy is to update PBB digital data. High Dependence on One Party as a Source of Innovation.

The authority to give birth to innovation in the form of a program to increase local revenue at the Regional Revenue Agency for Makassar City is all employees at the Regional Revenue Agency for Makassar City. The process of determining innovation in the form of programmes to increase local revenue is carried out in two ways.

1. Through solving problems based on studies of existing data as well as monitoring and evaluating problematic programs jointly between officials and employees of the Regional Revenue Agency in preparing or producing innovations to solve these problems.

2. Replicating or modifying programs from other regions is considered to be successful in increasing PAD.

3.2. Technology Is Available But Not In Accordance With Organizational Culture

The Makassar City Regional Revenue Agency responds to current technological changes by adapting to existing conditions. The process of utilizing technological change at the Regional Revenue Agency to increase Makassar City's Original Revenue has a positive impact because it makes it easier for people to pay taxes and levies. So far, technology in the form of what has been chosen by the Regional Revenue Agency in increasing Makassar City's Local Revenue is:

1. Single platform of regional taxes and retributions that can be accessed via Web and Mobile Phone applications with the integrated and digitized Tax (PAKINTA) application;
2. Electronification of Tax and Retribution payments through QRIS, Shopee, LinkAja, Tokopedia, Ovo, Gopay, etc.);
3. Information technology-based surveillance tools (CCTV, Tapping Box, MPOS).

3.3. Rewards Or Incentives To Innovate Or Adopt Innovations

Rewards given to employees of the Regional Revenue Agency include: (1) rewards in the form of incentives if they achieve the target of Taxes and Levies that have been set in accordance with Government Regulation Number 69 of 2010 concerning Procedures for Giving and Utilizing Regional Tax and Regional Levies Collection Incentives; (2) Obtaining a promotion one level higher. In contributing to innovation at the Makassar City Regional Revenue Agency which is an original idea from the Makassar City Regional Revenue Agency, namely the Integrated & Digitalized Tax application (PAKINTA). Innovations include replication or modification from other regions, for example, (a). Electronification of regional taxes and regional retribution payments; (b). Information technology-based monitoring tools (CCTV, Tapping Box, MPOS, etc.).

3.4. Low Skills In Active Risk Or Change Management

Training for employees at the Regional Revenue Agency to increase skills, especially in contributing to improving innovation programs, has not been conducted optimally. There are still several employees who have not received education and training regarding the management of Regional Original Revenue (PAD). Thus, in providing services whose output is in the form of services, we continue to make improvements to the infrastructure and superstructure of services and continue to increase human resources in dealing with times.

3.5. Short Term Planning and Budgeting

The budgeting process is carried out by accommodating input and suggestions from relevant stakeholders which have been carried out since the budget planning process through the Annual Work Plan (RENJA) up to the budgeting stage in the Regional Budget of Makassar City (APBD). The Regional Revenue Department perceives budgeting for the following year to increase local own-source revenue by evaluating the programs that have been implemented to be used as a reference in the following years' budgeting.

3.6. Administrative Pressure

Administrative pressure on the development of innovation to increase local owner revenue in Makassar City has not found any pressure administration. All service flows and program runs are carried out based on the applicable procedures. The applicable Standard Operating Procedures have also been agreed upon by all employees at the Regional Revenue Agency, so that in carrying out their main duties and functions, there are no obstacles or other pressures.

3.7. Risk Avoidance Culture

The Regional Revenue Department, in dealing with the risks that exist in an organization, especially related to inaccurate innovation programs in increasing Regional Original Income, ensures the risks that exist in the implementation of inaccurate innovation programs by identifying/recognizing and assessing their level of significance and has an action plan to minimize the impact and the possibility of the risk occurring. In addition, it also ensures that if the action plan is implemented effectively, the intended action

can minimize the impact and possibility of risk. Recommendations are then provided regarding the risks that may occur, and suggestions for handling them. The influence of risk management culture on innovation implementation includes a. Ease of identifying and managing unwanted obstacles. b. Promotes organizational accountability and c. Efficiency and effectiveness of collecting local taxes and regional levies.

4. Conclusion

Based on the data and facts above, it can be concluded that by increasing the Local OwnSource Revenue in Makassar City, innovation programs have been designed and implemented, which are original ideas from the Regional Revenue Department for Makassar City, namely the Integrated and Digitalized Tax application or what is commonly referred to as PAKINTA. The obstacles faced in implementing or creating innovations at the Regional Revenue Agency based on data and facts are the optimal implementation of training or technical guidance in adding skills for Regional Revenue Department employees to contribute to increasing innovation and the outcome of local tax. There are still several employees who have not received education and training related to PAD management. Another obstacle that organizations experience barriers in innovation is the lack of awareness of taxpayers to report and pay taxes on time and in the right amount. There are still many potential resources of Regional Revenue that have not been exposed, apart from the fact that the system for supervising local taxes is weak and there is still a lack of resources, both equipment or infrastructure and superstructure, as well as the quality of human resources in the context of increasing PAD.

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