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OPTIMIZING REGIONAL TAX COLLECTION THROUGH INSTITUTIONAL CAPACITY: EVIDENCE FROM KULON PROGO

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Abstract
Most regions in Indonesia still rely on transfers from the central government, as their current fiscal capacity is limited due to various government development initiatives. One of the key challenges faced by the regional government is the suboptimal collection of regional taxes. This study aims to evaluate the regional tax collection process in Kulon Progo regencies, examining each level of institutional capacity, with the goal of increasing regional fiscal autonomy. It also aims to seek the most suitable strategy for the Kulon Progo regencies to increase their regional tax collection. This study applied two steps of qualitative observation and data collection. First, this research conducted observations, literature reviews, and interviews to identify SWOT factors. Second, the identified SWOT factors would be processed into a questionnaire survey for IFAS EFAS analysis. The findings indicate that great individual capacity, such as strong and visionary leadership and persuasive officers, supported by a collaborative working climate, becomes a key strength factor. However, the lack of system capacity, including incomplete regulations and a risky payment system, combined with inadequate organizational capacity, such as an unreliable tax base and the absence of bailiffs, remains a significant weakness. Growing infrastructure and economic activity provide opportunity, while non-compliance behaviour and legal actions remain a challenge. IFAS EFAS analysis suggests that the institutions utilize a weakness opportunity strategy. The findings underscore the need to improve the regional collection at all capacity levels. Improvements can be achieved by promoting IT governance, providing a secure payment method, enhancing document management, and conducting capacity-building initiatives.
Keywords: IFAS EFAS Analysis: Institutional Capacity; Local Tax; SWOT Analysis; Tax Collection

INTRODUCTION

Indonesia is undertaking significant development in several key sectors, including human resources development and basic infrastructure. Multiple development projects, including the free meal program and the establishment of Danantara, are being implemented to achieve the goals of Indonesia Emas 2045. However, there are enormous fiscal consequences in implementing this massive program. For instance, the free meal program is estimated to require a budget of IDR 215,54 trillion (INDEF, 2025), while the establishment of Danantara requires USD 20 billion (Kompas, 2025). Hence, these programs might cause significant pressure on the national budget.

Several actions taken by the government, such as budget efficiency, might not be effective in providing sufficient funds for the programs. Furthermore, budget efficiency might create additional problems such as lower quality of public services, limited regional development initiatives, and lower public satisfaction (Yuliati, 2025). The additional budget cut might also be too risky, since 71.4% of the national budget has already been allocated for mandatory spending (Government of the Republic of Indonesia, 2025). Hence, an additional source of funding is needed to achieve the government's development targets.

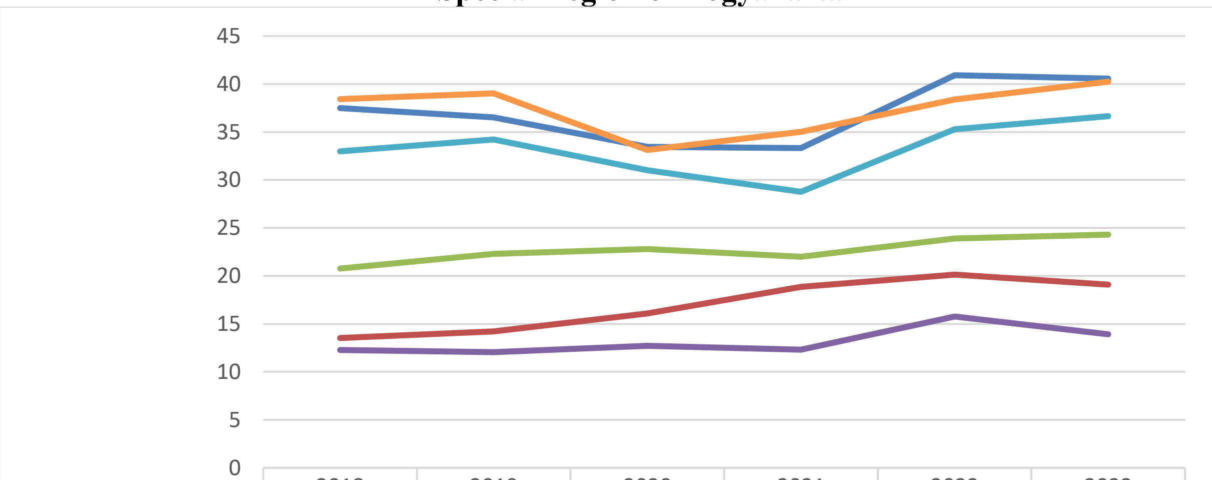
One of the most significant government expenditures is the regional transfer. This is due to the lack of regional capability in generating its local revenue (Wardana & Firmansyah, 2025). As of 2023, approximately 68 percent of regional revenue in Indonesia still depends on transfers from the central government (Kompas, 2023). Furthermore, data from the Fiscal Independence Index (IKF), as assessed by the Audit Board of the Republic of Indonesia (BPK RI), highlights a wide disparity in fiscal independence across regions. The majority of local governments have yet to achieve genuine fiscal self-reliance (Satya & Suhayati, 2024). Out of Indonesia's 34 provinces, only 9 provinces have managed to generate more locally-generated revenue than they receive in central government funding (Ministry of Internal Affairs, 2024). Locally generated revenue is an indicator of a region's fiscal independence (Saleh, 2020) . A low percentage of locally generated revenue indicates a low level of regional fiscal autonomy (BPS

Provinsi DIY, 2024). Therefore, optimizing locally generated revenue could alleviate the central government's fiscal burden and serve as an additional source of revenue for local governments.

Suboptimal tax collection remains one of the key challenges in maximizing locally generated revenue (Fidiana, 2020; Harjo & Darmawan, 2022; Huda et al., 2018; Irianti & Niswah, 2021; Nasrin & Priyawan, 2024; Radvan, 2016; Veronika, 2021). From 2019 to 2023, regional tax receivables increased by an average of 6.77% per year (FIA UI, 2024). Furthermore, the ratio of regional tax receivables to regional tax revenues has consistently remained above 20% over the past five years (FIA UI, 2024). These evidences highlight the region's ability to collect local taxes, which are still low compared to the amount due. Hence, the effort to enhance the regional tax collection system is significantly needed to enhance locally generated revenue, which will provide additional funds for the government.

Kulon Progo Regency is one of the regencies in Yogyakarta Province that heavily relies on the central government's transfer fund. Even though it is undergoing massive infrastructure development, Kulon Progo's capability to generate its own revenue remains relatively low compared to other regencies (see Chart 1). The average realization of Kulon Progo's locally generated revenue accounted for only 16,99% from total revenue. This places Kulon Progo as the second-lowest regency in the Special Region of Yogyakarta in terms of the proportion of locally generated revenue to total realized revenue.

Chart 1 Percentage of Locally Generated Revenue to Total Regional Revenue in the Special Region of Yogyakarta



	2018	2019	2020	2021	2022	2023
D.I. Yogyakarta	37,5	36,54	33,44	33,33	40,92	40,56
Kulon Progo	13,53	14,22	16,08	18,85	20,14	19,11
Bantul	20,77	22,29	22,79	21,99	23,91	24,31
Gunungkidul	12,28	12,06	12,73	12,31	15,77	13,92
Sleman	32,97	34,22	31,02	28,77	35,3	36,65
Yogyakarta	38,43	39,02	33,13	35,03	38,39	40,25

Source: Compiled from Statistics Indonesia DIY Province

Furthermore, regional tax receivables in Kulon Progo increased by an average of 7.45% per year over the last five years (see Table 1). This rate is relatively higher than the national average at 6.77%. The average ratio of tax receivable to tax revenue is 13.39%. These facts highlight the need to optimize the regional tax collection system in Kulon Progo.

Table 1: Regional Tax Receivable Growth and Receivable to Revenue Ratio 2020-2024

Description	2024	2023	2022	2021	2020	Avg
Receivable Growth	10.22%	12.82%	3.11%	4.44%	6.63%	7.45%
Receivable to Revenue	14.64%	12.27%	12.10%	13.17%	14.78%	13.39%

Source: Compiled from Statistics Indonesia DIY Province

Studies on regional tax collection are still minimal. Several studies have highlighted the positive impact of tax collection on increasing tax revenue. Tax collection encourages taxpayers to comply (Azzahra & Purbaningrum, 2022). Through effective tax collection efforts, tax authorities can ensure that taxpayers properly settle outstanding tax obligations (Pratiwi et al., 2024). Consequently, efficient tax collection can lead to increased tax revenue (Fitria et al., 2020; Pratiwi et al., 2024). Nevertheless, several studies have also found that tax collection efforts are not always effective in increasing tax revenue. Harjo & Darmawan (2022) stated that the collection of outstanding Land and Building Tax (P2) in Bekasi City was ineffective in boosting the region's revenue. This finding is consistent with the study conducted by Nasrin & Priyawan (2024) in West Manggarai Regency.

The study conducted by Huda et al. (2018) tried to highlight the problem in collecting provincial locally generated revenue. The studies stated that a lack of IT utilization and poor quality of human resources hinder the collection of local taxes. To improve the situation, several strategic actions are necessary, including enhancing the competence of tax authority personnel, particularly in their ability to plan and monitor tax collection activities; leveraging information technology to deliver services that are both fast and efficient; and enforcing tax regulations firmly against taxpayers who fail to comply with the applicable laws. This result is in line with the study conducted by Irianti & Niswah (2021) & Veronika (2021). Another factor that hinders tax collection is the awareness of society, which remains low (Irianti & Niswah, 2021; Veronika, 2021). Therefore, holistic and coherent policies are needed to enhance the regional tax collection. In order to do so, advancing institutional capacity for policy integration is necessary (Domorenok et al., 2021)

However, most previous studies still focus solely on regional tax compliance. The detailed problem with the local revenue collection system has not yet been provided. Additionally, studies that highlight the problem with the local revenue collection system and provide a holistic evaluation of it are still limited. Hence, this study aims to evaluate the current local tax collection system in Kulon Progo regency and propose strategies to enhance it based on the institutional capacity theory lens. The novelty of this research lies in its detailed explanation of identifying the root problems of the regional tax collection problem at the regency level from an institutional capacity lens rather than the compliance aspect. Moreover, this study is conducted after the implementation of Law Number 1 of 2022 on Financial Relations between the Central Government and Regional Governments, which provides a more updated context after the regulatory shift compared to previous studies.

To achieve its goals, this study applies SWOT analysis to holistically evaluate the current regional tax collection system based on the 3 levels of institutional capacity theory (Domorenok et al., 2021) . In formulating opportunities, challenges, and potential strategies, SWOT analysis is considered an appropriate method, as it enables the design of strategies using a set of qualitative and subjective assessments (Quezada et al., 2019). This analytical method is frequently used to develop strategies, tactics, and action plans that systematically and efficiently achieve an organization's vision and mission. The chosen strategy is the most feasible one after considering advantages, disadvantages, trade-offs, costs, and benefits, all of which are analyzed due to the wide range of available options (David et al., 2020).

This study offers several contributions. For the Ministries of Finance and Internal Affairs, the findings can serve as valuable input for formulating policies to optimize regional tax collection. For regional government, especially Kulon Progo, this study identifies the problem in the current collection system and proposes strategies to optimize it. This study also provides additional literature on the detailed problems existing in the current local tax collection system, which is still narrowly discussed.

LITERATURE REVIEW

Institutional Capacity Theory

Institutional capacity theory emphasizes the importance of institutional capacity in effectively executing its functions (Domorenok et al., 2021). This study used the definition of institutional capacity used in Fresneda Fuentes & Hernández Borreguero (2018), Johansson et al. (2017), and Tran et al. (2023), which defines Institutional capacity as the ability of private or public actors to work through a system of rules, norms, and values to achieve the collective goals. Institutional capacity encompasses both formal institutions (such as regulations, laws, and constitutions) and informal institutions (such as norms, codes of conduct, and cultural factors) (Castellano, 2018; Tambunan, 2024). This research also adopts a three-level perspective on capacity, which has been widely used in various studies, such as those by Domorenok et al. (2021), El-Taliawi & Van Der Wal (2019), Rietig & Dupont (2021), and Wu et al. (2015).

At the systemic level, institutional capacity is reflected in the establishment of a cohesive framework of rules, instruments, and guidance that facilitates integrated policy-making across sectors (Domorenok et al., 2021). This level concerns the institutions and broader environment (economic, political, and social) that shape the public sector. It includes changes to laws, politics, and the constitution that define how the system operates (Fresneda Fuentes & Hernández Borreguero, 2018). This enables coordinated action regardless of the diverse preferences or characteristics of individual actors (Domorenok et al., 2021). Before implementing supporting systems or evaluation indicators, foundational norms and values must be clearly defined, followed by the development of evaluation indicators.(El-Taliawi & Van Der Wal, 2019). Systemic capacity thus includes not only procedural tools but also shared policy values and ideas that align the entire policy cycle toward integrated governance.

At the organizational level, institutional capacity refers to the internal arrangements and mechanisms that promote collaboration, coordination, and synergy among various actors and units (Domorenok et al., 2021). This includes clear delineated roles, management structures, and coordination strategies.The core of this dimension lies in the dedicated management and coordination, such as the role of horizontal coordination (Catalano et al., 2015). It is closely related to the presence of well-defined and aligned institutional missions, the availability of adequate material resources, the use of appropriate management approaches to accomplish objectives, the effective leadership, organizational culture, communication and coordination mechanisms, as well as the overall structure of management within the institution (Fresneda Fuentes & Hernández Borreguero, 2018). While the formal aspects of administrative design have been extensively studied, less attention has been given to informal factors like organizational culture, collaborative norms, and work routines, which also shape capacity and performance (El-Taliawi & Van Der Wal, 2019).

Individual level refers to the individual characteristic, such as hard skills (competence, skill and expertise) and soft skills such as motivations (Domorenok et al., 2021; Peters, 2015; Trein et al., 2019; Wu et al., 2015). Several studies have been conducted in this dimension such as how general analytical, managerial, and political capacities affect policy functions' performance (Wu et al., 2015) and its importance for integrated policies (Ramesh & Howlett, 2016). However, human factors alone are insufficient to influence institutional capacity.

Therefore, this level is broadly related to other levels (Fresneda Fuentes & Hernández Borreguero, 2018).

Several studies on institutional capacity and tax compliance have been conducted previously. (Tambunan, 2024) tried to identify institutional challenges in tax collection in rural and urban areas in Indonesia. The results classified the challenges into institutional aspects, human resources, and technical operations. Institutional challenges include the regional government's lack of readiness, insufficient supporting facilities and infrastructure, inadequate socialization, as well as geographic and demographic issues. Meanwhile, human resources challenges include inadequacies in both the quality and quantity of human resources, as well as uncertain transfers due to political changes. Lastly, the technical issues are related to the synchronization between technological use and the governing administrative provision.

In a broader sense, several studies have attempted to determine the impact of institutional quality, as proxied by political stability, corruption, government effectiveness, rule of law, voice and accountability, and regulatory quality, as proposed by the World Bank's Worldwide Governance Indicators (WGI), on tax collection. Beyera (2021) found that institutional quality influences the tax collection in Côte d'Ivoire. Improving the quality of the country's institutions is necessary for it to enhance its tax revenue collection capacity. It can be done through digitization and socialization to increase tax awareness. Meanwhile, in Ethiopia, the rule of law, government effectiveness, and political stability have a positive impact on tax revenue collection, while corruption and regulatory quality negatively impact tax collection (Desta, 2022).

This study will evaluate the revenue collection system through the lens of institutional capacity theory. The result of the SWOT analysis will then be classified into three levels of institutional quality to better assess the locus of the problem. Suggestions will also be given according to each capacity level.

Regional Tax

According to Davey (1988), local taxes can be categorized into several forms. First, taxes that local governments collect are regulated independently at the regional level. Second, taxes that are collected based on national legislation, but with tariff rates determined by local authorities. Third, taxes that are both stipulated and collected by local governments. Lastly, taxes that are collected and administered by the central government, but whose revenues are either allocated to, shared with, or imposed additionally by local governments. Collected revenues will be used to finance the government's administrative affairs (Anggoro, 2017).

Furthermore, Bird & Vaillancourt (2000) characterized good regional tax into three criteria: those that are easy to administer at the local level; those that are imposed solely or primarily on local residents; and those that do not create issues related to harmonization or competition either among sub-national governments or between sub-national and national governments. Regional taxes are expected to be easily manageable, handled by local government, and only impact local society. The collection of regional taxes must maintain the harmonization between regional governments and the central government.

The types of taxes include Vehicle Tax, Vehicle Transfer Fee, Heavy Equipment Tax, Fuel Tax, Surface water Tax, Cigarette Tax, and piggyback tax on non-metallic minerals and rocks. Meanwhile, regency governments are authorized to collect various types of regional taxes. These include rural and urban land and building tax, land and building rights acquisition duty, hotel tax, restaurant tax, electricity tax, parking tax, entertainment tax, advertisement tax, groundwater tax, edible swiftlet nest tax, non-metallic minerals and rocks tax, and piggyback tax on vehicle tax and vehicle transfer fee. Since the object of this research is Kulon Progo Regency, this research will focus on the regional tax handled by the regency government.

METHODS

This research employed qualitative descriptive research. Qualitative descriptive research was scientific research focusing on describing the phenomena, emphasizing the process rather than the result, and analyzing the data inductively to interpret the meaning (Murdiyanto, 2020). This research used SWOT analysis to evaluate the regional tax collection system in Kulon Progo. The company often used this method to formulate the strategy to achieve its goals effectively and efficiently, considering existing internal and external factors (Weihrich, 1982).

A SWOT analysis consists of four elements, which can be further classified into internal factors and external factors. Internal Factor Analysis (IFAS) refers to the factors inherent in a company. It consists of strengths and weaknesses. Strength is defined as a positive internal situation or capability that enables an organization or product to gain strategic advantages in achieving its goals. Meanwhile, weakness refers to the internal factor that hinders the organization or product from achieving its goal (Rangkuti, 2016; Salusu, 2015). External Factor Analysis (EFAS) is the factors that are outside of the company. It consists of opportunities and threats. Opportunity is a factor outside of the company that can be used to achieve its goals, while a threat is a factor that hinders it (Hosen et al., 2022; Rangkuti, 2016).

The use of SWOT analysis in this study is theoretically grounded, like public sector performance, which not only relies on the internal capacity of institutions but also on the broader environment (economic, political, and social) (Fresneda Fuentes & Hernández Borreguero, 2018). SWOT provides an appropriate analytical framework to systematically map these internal and external determinants, allowing the study to identify institutional capacity configurations that either enable or constrain effective tax collection. While SWOT is useful for structuring qualitative insights, recent studies highlight recurring methodological issues, including the absence of mechanisms for factor verification, prioritisation, and the high risk of subjective judgment (King et al., 2023). To address these limitations, this study complements SWOT with the Internal Factor Analysis Summary (IFAS) and External Factor Analysis Summary (EFAS) matrices, which assign explicit weights and ratings to each internal and external factor, and compute weighted scores to assess their relative importance. Previous applications show that IFAS–EFAS can function as a quantitative decision-support tool to determine strategic priorities and select appropriate strategic orientations, thereby transforming qualitative SWOT findings into analytically scalable indicators (Hosen et al., 2022).

This research conducted two steps of qualitative observation and data collection as used in (Hosen et al., 2022; Rangkuti, 2016; Salusu, 2015). First, this research conducted observations, literature reviews, and interviews with key stakeholders to identify the critical elements of the Internal Factor Analysis Strategy (IFAS) and the External Factor Analysis Strategy (EFAS). The identified critical element would be processed into a questionnaire survey on the weighting and rating process.

The informants in this study were selected using purposive sampling, with specific criteria in mind. The informant must come from the Regional Financial and Asset Agency (BKAD) Kulon Progo and be involved in the regional tax collection. Based on these criteria, six informants were involved in this study, as shown in Table 2. The informants come from various levels of positions to provide a holistic view of the evaluation. The higher position was expected to evaluate systemic and organizational issues, while the lower position was expected to evaluate organizational problems at the individual level.

Table 2 Informants Profile

No	Informant Code	Position
1	KBD.1	Head of Tax Collection and Regional Revenue Development Division

2	KSB.1	Head of Regional Tax Collection Subdivision
3	PLK.1	Staff of the Regional Tax Collection Subdivision
4	PLK 2	Staff of the Regional Tax Collection Subdivision
5	PLK 3	Staff of the Regional Tax Collection Subdivision
6	PLK 4	Staff of the Regional Tax Collection Subdivision

Source: Processed by author

This study then prioritized each identified element by weighting and rating each variable using a questionnaire (Hosen et al., 2022; Kurniawan & Haryati, 2017). The questionnaire used 5-Likert scale to determine the weight and rate of each element. Respondents of this questionnaire were the employees of the Regional Financial and Asset Agency (BKAD) Kulon Progo. The collected data will be used to determine the SWOT matrix. This matrix consists of four quadrants of strategy, including Strength-Opportunity (S-O), Weakness-Opportunity (W-O), Strength-Threat (S-T), and Weakness-Threat (W-T).

Each identified factor would also be classified based on the three levels of institutional capacity as used in (Domorenok et al., 2021; Fresneda Fuentes & Hernández Borreguero, 2018; Wu et al., 2015). This advanced analysis was conducted to identify the level of authority responsible for correcting the problem. Hence, this research employs a mixed-methods approach that incorporates SWOT analysis through interviews and questionnaires, and further analyzes the results using an institutional capacity lens. Additionally, triangulation procedures were employed to provide sufficient justification for the findings.

RESULT AND DISCUSSION

After conducting the interviews, several critical factors for each element were identified. The identified factors were then classified into three institutional capacity levels: system, organization, and individual. The final result of this process is presented in Table 3.

Table 3 SWOT Analysis Result

Levels	Strength	Weakness	Opportunity	Threat
System	-	- Unreliable information system - Incomplete legal instruments - Risky payment mechanisms	- Infrastructure development - Growing economic activity	- Legal Action by taxpayers
Organization	- Collaborative working culture	- Poorly organized and unvalidated data archives - Absence of bailiff (Organizational Structure)	-	-
Individual	- Strong and visionary leadership - Strong communication and persuasion	- Absence of bailiff (Individual capacity)	-	- Non-compliance behavior from taxpayers

	skills as an officer

Source: Processed by author

Internal Factor Analysis Strategy

The literature study, observation, and interview process showed three critical strengths and five weaknesses in the current regional tax collection system in Kulon Progo. In general, the strengths of the regional tax collection system were evident at both the organizational and individual levels. At the same time, the weaknesses were primarily found at the systemic and organizational levels.

Strength

Strong and visionary leadership

The first strength factor was strong and visionary leadership. Leadership represents an essential component of individual capacity that shapes how institutions interpret and execute their mandates (Domorenok et al., 2021)This characteristic can be seen from several aspects. First, the leader, especially in the regional tax collection subdivision, had a thorough understanding of the tax collection business process and the relevant regulations. Therefore, the decisions taken were always in line with the relevant regulations. For subordinates, this characteristic creates certainty in policy direction throughout the regional tax collection process. For the taxpayer, this characteristic creates the certainty of law in the regional tax collection process. International studies highlight that cognitive competence and regulatory literacy are core determinants of effective public sector implementation (Salvador & Sancho, 2025). The leader's previous experience at the Ministry of Finance further strengthens this capacity by transferring institutional knowledge and established administrative norms from central tax administration to the regional context, confirming evidence that experiential learning is central to enhancing individual capacity in public institutions (OECD, 2022).

Second, in terms of attitude and behavior, the leader in the tax collection division promotes responsiveness, decisiveness, and courage within legal boundaries. The leader responds promptly when problems arise during the taxpayer collection process. In addition, the leader demonstrates courage as long as they remain within the legal framework when taking collection actions. This is reflected in leaders who are always willing to accompany officers when collecting in the field or when calling taxpayers who have high resistance. For subordinates, this trait increases their confidence when performing their duties.

Additionally, the leader consistently supports subordinates in their ongoing learning and development. This is evidenced by the participation of subordinates in various training courses. The leader is also able to create a warm working atmosphere, allowing subordinates to work comfortably and feel confident in conveying ideas or innovations that can improve the organization. For subordinates, this strong moral support significantly enhances morale and work ethic, ultimately improving the quality of work in the billing field. For taxpayers, a leader's bold attitude, firm yet within the bounds of the law, can increase taxpayer confidence, which in turn encourages compliance behavior. This premise did not originate from the head of division or the head of subdivision, but rather from the staff (more than one staff member). Hence, the author decided that this premise was not a self-claim but rather an objective evaluation.

Based on the institutional theory, this factor can be classified at the individual level. This result is different from several studies, which stated that there was a lack in quality of human resources in regional taxes, such as in (Tambunan, 2024) and (Harefa, 2016). It can be implied that different regions face different challenges. Another possibility is that there have been improvements in human resources management. However, political succession remains an imminent challenge in ensuring the consistent quality of human resources (Tambunan, 2024).

Good Persuasion and Communication Skills

The second strength factor in regional tax collection lies in the communication and persuasion abilities of its employees. This factor can be classified as individual capacity. In Kulon Progo, a persuasive strategy is employed, considering the cultural landscape of the institution, which is primarily influenced by Javanese culture. Theoretically, this strategy is in line with politeness theory, which suggests that politeness helps regulate social interactions and foster a friendly atmosphere (Leech, 2014). This strategy becomes increasingly effective as it matches the Javanese nuanced politeness norm "*unggah ungguh*" (Poedjosoedarmo, 2017). The Javanese people need to pay attention to the Javanese principles of social conduct before conducting communication (Santoso, 2015). Hence, conducting tax collection in accordance with Javanese culture is crucial for achieving effective and efficient tax collection.

Regarding that fact, most of the staff in Kulon Progo are natives of the region. As a result, they mostly understand the basic Javanese principles in social interactions, including the debt-settlement process. The tax collection process is primarily conducted in a familial and personal manner, following Javanese principles. The collection process is carried out with respect for taxpayers, treating them as partners. Taxpayers are treated kindly and respectfully, in line with the local principle of "*ngewongke wong*" (valuing people as human beings). This creates a positive relationship between the taxpayers and the tax officers, which in turn encourages cooperative behavior from taxpayers during the tax collection process (Horodnic, 2018).

Collaborative Work Climate

The third strength factor is the collaborative work climate. Unlike the previous factors, this factor is at the organizational capacity level, which concerns how structures, routines, and internal relationships support an institution's ability to perform (Domorenok et al., 2021). Tax collection is one of the subdivisions under the division of tax collection and regional revenue development. The division of tax collection and regional revenue development itself has several subdivisions, including regional revenue development, regional revenue evaluation, and regional revenue control. Even so, when a problem occurs in one of the subdivisions, especially a large one, other subdivisions also contribute input and ideas to help solve the problem. This finding highlights the significance of collaborative capacity in improving administrative performance and decision-making quality (Hofstad & Vedeld, 2021). High-quality problem-solving is expected to enhance taxpayer trust in government, which will eventually increase tax compliance (Horodnic, 2018).

Weakness

Inadequate information system

The first weakness factor is related to the information system used by BKAD Kulon Progo. This is a systemic-level problem that is also faced by other regions, such as Makassar (Harefa, 2016) and Bandar Lampung (Rafif, 2016). BKAD Kulon Progo still uses several applications that have not been integrated. In fact, some of them have the same function. This fat application system causes employee workflow to be inefficient and prone to errors. Additionally, the application system used still frequently experiences errors or bugs. The most common error is the issuance of multiple Local Tax Billing Notices (STPD) for the same bill. One billing with the same taxpayers' name, tax period, and tax type might have multiple STPD numbers. This problem often causes protests from taxpayers who have paid but continue to be billed. Therefore, this error has the potential to reduce taxpayers' trust, which ultimately affects the debt-settlement process.

Furthermore, several applications are handed down from the central tax authority following the separation of rural and urban land and building tax. The applications used are obsolete and unable to accommodate the development of owned data. In addition, the data in each application is also not synchronised, which creates an additional workload for employees. Consequently, several similar jobs must be done more than once.

The calculation of debt-settlement realisation made by the application is also prone to error. For example, it only counts the debt principal, excluding the fines. To overcome this, employees usually conduct manual calculations on Google Sheets. However, this approach also poses a risk in synchronizing the taxpayers' debt data with the settlement conducted by taxpayers. Sometimes, taxpayer debts that have been settled are still counted because they have not been synchronized. It creates a less reliable database. In addition, the use of Google Sheets also creates a risk when there is a succession of employees. Google Sheets' operation is often less user-friendly and can only be understood by the creator. From an institutional theory perspective, these findings confirm that weak digital infrastructures reduce systemic capacity and administrative reliability (Salvador & Sancho, 2025).

Risky Payment Mechanism

Another weakness factor is related to the payment mechanism. From the perspective of institutional capacity theory, this issue reflects a systemic-level weakness, as it involves structural arrangements, payment infrastructure, and integrity safeguards that shape the reliability of revenue administration (Domorenok et al., 2021). The geographical factor increases the cost of compliance, including tax payment costs. Therefore, BKAD conducted a collaboration with the village/hamlet head in collecting the taxes (Especially rural and urban land and building taxes). For other types of taxes, BKAD conducted door-to-door tax collection. The taxpayer can pay the remaining tax debt directly to the officers. Both payment mechanisms are prone to fraud. The risk is increasingly higher since taxpayers do not receive adequate proof of payment. The receipt is only signed by staff or village heads, making its validity uncertain. There were already several misuse of funds cases involving village heads. Hence, this problem exposes the institution to a very high reputational risk. This can reduce taxpayers' trust since wider corruption can lower the tax morale of taxpayers (Alasfour et al., 2016; Horodnic, 2018; Williams & Krasniqi, 2017). These findings highlight that institutional trust hinges not only on individual behaviour but also on the credibility of systemic mechanisms that ensure transparency and accountability. A risky payment mechanism undermines institutional reliability, elevates reputational risks, and ultimately weakens taxpayers' willingness to comply with regulations.

Incomplete Legal Instrument

The Incomplete legal instruments for tax collection remain a challenge for BKAD Kulon Progo. Within institutional capacity theory, this issue pertains to the systemic capacity of the institution, specifically the legal and regulatory infrastructure that supports and enables tax administration functions (Benitez et al., 2023). The lack of a legal basis limits the scope of active collection actions. Tax collection actions carry high legal risks. Therefore, they must be supported by strong legal foundations. However, the current legal basis for active collection action only provides a legal foundation until the Tax Collection Notice is issued. Therefore, further active collection actions, such as sending compulsory letters, blocking bank accounts, confiscation, and auctioning, have not been subject to legal regulation. At the same time, further active collection actions have been proven to increase revenue collection effectively (Lestari et al., 2021; Sitepu & Wage, 2023). Consequently, there are no further legal coercive collection actions available for BKAD Kulon Progo when taxpayers refuse to pay, even after receiving a Tax Collection Notice. As institutional capacity theory suggests, when systemic mechanisms such as legal enforcement are absent or incomplete, the effectiveness and credibility of the entire tax system are undermined, limiting the institution's overall capacity to collect revenues.

Unorganized and Invalid Data Archives

The fourth weakness factor is unorganized and invalid data archives. From an institutional capacity perspective, this problem can be classified as a systemic issue, as it involves not just individual or minor technical issues, but also processes, rules, and overall governance. The unreliable database caused difficulty when searching for archives. The main challenge is the large volume of data from the central government after the PBB P2 separation. The data are unstructured, making them difficult to trace and validate. Some taxpayer data have no names or use invalid names, such as ".". There is also taxpayer data with incomplete addresses, making collection actions difficult. Some data also have NOP but no actual object. The invalid data archive causes a high number of SPPT cancellation requests due to absent or repurposed objects. The number of requests can reach 300 per year. Until November 2024, the SPPT cancellations have exceeded 50. The collection sub-division also handles these requests, creating an extra workload. To address this, the collection division runs a clearing and cleansing program with village officers to validate the data. This result is aligned with the result of Rafif (2016) & Tambunan (2024) which also identified poor data management systems as a significant barrier to efficient tax collection in local governments. These findings underscore that poor data governance, resulting from a lack of operating procedure standards, low internal control, and inadequate supporting facilities, directly impacts the systemic capacity and the institution's ability to fulfill its mandates effectively.

Absence of a bailiff

Another weakness factor is the absence of a regional tax bailiff in BKAD Kulon Progo. Although regulations exist, especially after the enactment of Perda No. 6 of 2023, BKAD faces challenges. The main issue is the lack of qualified and willing personnel to become tax bailiffs. According to institutional capacity theory, this issue is rooted at both the organizational and individual levels. According to institutional capacity, this problem was at both the organizational and individual levels. At the organizational level, the absence of a tax bailiff hinders the ability of institutions to execute their function appropriately. Several active collection actions can only be conducted by a tax bailiff. These include delivering forced letters, blocking bank accounts, confiscation, and auctioning. Therefore, the availability of tax bailiffs is crucial for active collection actions. At the individual level, this problem was due to the team member's inability to become a bailiff. It highlights the importance of individual development, including professional capacity in tax administration (Ballas et al., 2024). To address this, BKAD has enrolled its staff in tax bailiff training. However, the result of training might take periods of time to achieve expected competence, while the tax collection task is going on daily (Tambunan, 2024). This finding supported the idea that capacity-building efforts at the organizational level must be accompanied by individual readiness, since they mutually influence each other (Staveren, 2024).

External Factor Analysis (EFAS)

The literature study, observation, and interview process showed two critical opportunities and two threats in the current regional tax collection system in Kulon Progo. Generally, the opportunities and threats of the regional tax collection system were systemic in nature.

Opportunity

Growing Infrastructure Development in Kulon Progo

Infrastructure development in Kulon Progo is currently intensifying. The goal is to become an aerotropolis area (RadarJogja, 2024). Some strategic projects include the Menoreh area development, the Kartasura–Yogyakarta (YIA Kulon Progo) toll road, and the Yogyakarta–Cilacap toll road. Infrastructure development creates opportunities for new tax objects, such as billboards and restaurants located along toll roads. It can also create a multiplier effect that encourages investment in Kulon Progo, ultimately increasing the potential for tax revenue.

According to institutional capacity theory, this opportunity is related to systemic capacity, specifically the preparedness of the tax ecosystem. Infrastructure development triggers a change in the social and economic behaviour of taxpayers. Therefore, a mature tax system, such as complete regulation, an accurate tax base, and other supporting facilities, is needed in order to optimize the potential (Alm et al., 2022). As such, the region's systemic capacity must evolve in parallel with the physical infrastructure to optimize tax collection potential.

Growing Economic Activities in Kulon Progo

Economic activities are also growing in tandem with the development of infrastructure. Non-construction economic activities, such as entertainment and arts events, are on the rise. Some examples include the Menoreh Art Festival, Guyon Waton band concerts, and other entertainment activities. These activities offer additional tax revenue potential, which can increase Kulon Progo's revenue, particularly from the entertainment tax. In terms of institutional capacity theory, this opportunity is closely tied to systemic capacity, as it hinges on the tax system's ability to adapt to external factors such as emerging economic activities (Domorenok et al., 2021). As entertainment and cultural events grow in popularity, the tax system must be prepared to handle the associated revenue streams. This requires a practical regulatory framework, accurate identification of new tax objects, and efficient administrative mechanisms to capture the potential revenue.

Threat

Non-Compliant Behaviour

One major challenge is non-compliant taxpayers. Several factors can cause non-compliance. The first factor is the taxpayers' economic difficulties. Some taxpayers experience fluctuations in business, making it hard to meet their tax obligations. The second factor is the low willingness to comply. It can be caused by low public awareness regarding the regional tax obligation (Harefa, 2016; Tambunan, 2024). Both factors are rooted in the individual's situation, rather than at the institutional or organizational level. Non-compliance behavior falls under the individual level because personal choices, attitudes, and circumstances of the taxpayers themselves drive it. From an institutional perspective, low organizational capacity, such as the lack of coercive actions taken, also amplifies taxpayers' non-compliance behavior. Taxpayers feel no consequences for their non-compliant behaviour. Hence, non-compliance behaviour seems economically lucrative for taxpayers, which triggers the non-compliance behaviour (Williams & Horodnic, 2016).

Non-compliance becomes a significant challenge because it encourages resistance to collection actions. This risk also increases as Kulon Progo becomes an open area, leading to many tax objects owned by non-local taxpayers. As a result, collection actions must be conducted outside the area, increasing collection costs. However, this problem can be solved with a strong organizational capacity (e.g., a reliable database) and a strong systemic capacity (e.g., data exchange availability among regions). In other words, non-compliant behaviour is caused by an individual problem but needs to be solved through organizational and systemic capacity enhancement.

Legal Action by Taxpayers

Incomplete regulations, risky payment mechanisms, an invalid tax base, and other organizational and systemic deficiencies expose BKAD Kulon Progo to legal action by taxpayers. In the framework of institutional capacity theory, this issue pertains to systemic capacity, the structural and regulatory framework that enables effective tax administration and compliance. Taxpayers can exploit legal loopholes to benefit themselves, especially when the legal instruments are incomplete or unclear. Recent successful legal challenges by taxpayers have resulted in a significant potential PBB P2 revenue loss for Kulon Progo. It hinders the collection effort of the institutions. Furthermore, one successful legal action can also trigger other taxpayers to take the same action. Hence, increase taxpayers' resistance and obstruct the collection effort. It aligned with (Carbonara et al., 2024) which stated that legal framework and organizational capacity affect the effectiveness of tax enforcement activity, such as tax collection.

Evaluation of IFAS and EFAS

The EFAS and IFAS analyses were conducted to identify the most effective strategies for enhancing the collection performance of BKAD Kulon Progo. This process began by distributing a questionnaire based on the previous SWOT analysis to the employees. Through this questionnaire, respondents were asked to assign weights and ratings to each point. The results of the IFAS analysis are presented in Table 5, while the results of the EFAS analysis are shown in Table 4.

Table 4 IFAS Analysis Result

No	Factor	Weight	Rating	Total
STRENGTH				
1	Strong and visionary leadership	0.14	4.57	0.62
2	Strong communication and persuasion skills officer	0.13	4.71	0.60
3	Collaborative working culture	0.13	4.43	0.58
Total Strength Factors				1.80
WEAKNESS				
1	Unreliable information system	0.12	4.29	0.51
2	Poorly organized and unvalidated data archives	0.11	4.00	0.46
3	Absence of a bailiff	0.12	4.14	0.49
4	Incomplete legal instruments	0.13	4.43	0.56
5	Risky payment mechanisms	0.13	4.00	0.51
Total Weakness Factors				2.53
	GRAND TOTAL	**1.00**		**-0.73**

Source: Processed by author

The analysis results reveal internal factors that comprise both strengths and weaknesses, based on prior interview findings. A strong and competent leadership emerged as the most dominant strength factor, with a score of 0.62. Meanwhile, the lack of collection instruments, particularly in terms of regulations, was identified as the most significant weakness, with a score of 0.56. The total score from the IFAS analysis is -0.73. This negative score indicates that respondents and informants believe BKAD must first address its internal weaknesses to optimize its collection efforts.

Table 5 IFAS Analysis Result

No	Factor	Weight	Rating	Total
OPPORTUNITY				
1	Infrastructure development	0.25	4.43	1.13
2	Growing economic activity	0.26	4.57	1.20
Total Strength Factors				2.32
WEAKNESS				
1	Non-compliance behavior from taxpayers	0.25	4.14	0.25
2	Legal Action by taxpayers	0.24	4.14	0.24
Total Weakness Factors				2.00
	GRAND TOTAL	**1.00**		**0.32**

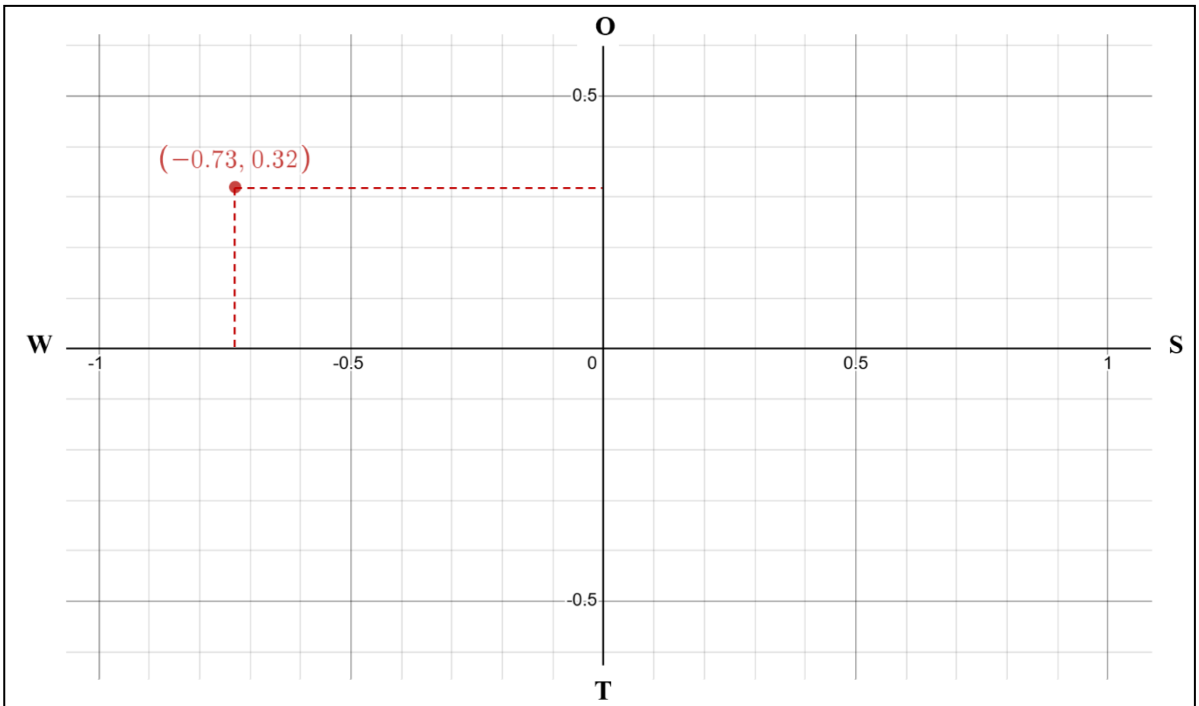
Source: Processed by author

The results of the external factor analysis reveal external factors, comprising opportunities and threats, based on the findings of previous interviews (see Table 5). The development of economic activities in Kulon Progo Regency is the most dominant opportunity factor, with a score of 1.2. Meanwhile, low tax compliance is the main challenge, with a score of 1.02. The total score of the IFAS analysis is 0.32. The positive final score indicates that respondents and informants consider the opportunities BKAD has for improving collection performance to be more significant than the challenges it faces.

IFAS EFAS Matrix Analysis and Alternative Strategy

The results of the IFAS and EFAS analysis can be visualized in Figure 1. Based on the quadrant matrix above, the best alternative strategy for improving regional tax collection at BKAD Kulon Progo is in the third quadrant (weaknesses-opportunities). Therefore, the recommended strategy used is the turnaround strategy (Wulandari, 2024). The Weakness-Opportunity (WO) strategy is an analytical approach that aims to capitalize on available opportunities to mitigate or eliminate weaknesses or limitations within an organization (Primadini & Gunadi, 2023). Due to the word limitation, this study will only focus on the weakness opportunities strategies to enhance tax collections.

Illustration 1: IFAS Analysis Result



Source: Processed by author

At the Systemic Level, IT governance enhancement is required. This can be achieved by integrating multiple redundant applications and establishing standard operating procedures for application acquisition, maintenance, and other relevant tasks. Enhancing IT governance can streamline data collection, processing, and analysis, which leads to more efficient and accurate tax assessment (Khalid & Malik, 2024). Application integration will also reduce employees' workload by eliminating redundant jobs and allow them to focus more on the debt settlement process. Additionally, the compliance risk management (CRM) technology can also be utilized through its implementation at the Directorate General of Taxes. It was proven to have a positive impact on tax revenue (Bara'a & Candradewini, 2024; Diyantie & Adha, 2024). However, regular data updates are necessary to ensure its effectiveness (Nabila & Fitriandi, 2021).

Providing a secure payment method is also essential to maintain societal trust. It is necessary to implement virtual account payment, which can automatically identify payments based on the taxpayer's identity, tax type, and tax period, thereby reducing errors. It has been proven to increase convenience for taxpayers when making payments, accelerate the payment verification process for local governments, and provide accurate and real-time reports on the status of tax payments. In addition, this system is also able to increase transparency and accountability in local tax management, to prevent fraud and misuse of tax funds (Tualeka, 2024). However, this solution may not be able to fully address the problems related to the geographical landscape and internet infrastructure issues in Kulon Progo. Additionally, low digital proficiency in some taxpayers also needs to be accommodated. Therefore, BKAD Kulon Progo may also need to provide additional payment locations, such as tax corners in strategic areas, such as public service malls, village offices, etc., to accommodate the issue. Furthermore, providing legal payment evidence, such as the State Revenue Transaction Number (NTPN), as implemented in central tax, is necessary as a control mechanism, especially when tax payments are made through intermediaries, such as village/hamlet heads or officers.

At the organizational level, enhancements to the document management system are needed. There were two alternative solutions for this. First, developing an electronic archive information system that records all the collection documents for each taxpayer. It provides simplicity in archiving and transferring the knowledge when there is an employee's succession. It also offers operational efficiency for the institution (Pantucha & Laonamtha, 2020). However, it might become an additional workload for the employee. Second, hire additional staff to manage archiving and document storage, both physically and digitally. It might incur additional costs for the institutions, but it will not increase the workload for the employees. Developing an information system may be expensive in the short term, but it will be more cost-efficient in the long run, whereas adding more staff is the opposite.

CONCLUSION

The result of the interview and observation process identified critical internal and external factors affecting regional tax collection in Kulon Progo. Internally, BKAD Kulon Progo possesses strength factors at the organizational and individual levels. At the Individual level, BKAD Kulon Progo has strong and visionary leadership supported by communicative and persuasive officers. At the organizational level, a collaborative working culture that fosters problem-solving ensures the making of high-quality decisions. Conversely, the weakness factor of BKAD Kulon Progo lies at the systemic and organizational levels. At the systemic level, unreliable information systems, incomplete legal instruments, and risky payment mechanisms hinder the institution from running its functions optimally. At the organizational level, the absence of a bailiff and poorly organized data archives caused non-optimal performance for institutions. For external factors, BKAD Kulon Progo faced opportunities arising from infrastructure development and economic growth, as well as benefits from entertainment activities. However, legal actions by taxpayers and non-compliance behaviour remain a challenge for institutions.

To address the problem, the IFAS EFAS analysis suggested the third quadrant (weakness-opportunity) as a prioritized strategy. Several actions need to be taken, divided into three levels of institutional capacity. At the systemic level, enhancing IT governance and providing a secure payment mechanism are necessary to increase efficiency, transparency, and accountability in the tax collection process. At the organization level, an archive system enhancement is needed to provide a reliable tax base and reduce errors. Lastly, at the individual level, capacity building is needed to enhance employees' competence and prepare some of them to become bailiffs. It can be achieved through employees' training, tax collection assistance, or a regional tax collection forum, serving as a platform to share knowledge and experience and enhance coordination with other related parties.

Limitation

The study has some limitations, including its limited perspective, as the information provided is only from BKAD Kulon Progo's point of view. Additionally, the small number of respondents in the questionnaire may also affect the result. This may have introduced bias into the study's results and may not have fully captured the range of opinions. Subjectivity may also arise from SWOT analysis, even though it is mitigated by employing IFAS EFAS analysis. Further study might incorporate the perspectives of other stakeholders or include additional regions to achieve a more comprehensive and generalizable objective result. It also failed to identify each critical factor for each institutional level. Therefore, further studies may identify the critical factors at each institutional level, enabling a more comprehensive analysis.

Practical Implication

The result of this study provides several practical implications for each related actor. For BKAD Kulon Progo, this study highlights problems in the current local tax collection system at each level of institutional capacity, guiding the formulation of an improvement plan for the local tax system. For central governments, this study highlights the issue of the regional tax system, which can be addressed through regulatory provisions, operational guidance, and technical assistance by the central government. Theoretical implications of this study include providing additional literature on local tax collection, a relatively underexplored area of research.

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