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Implementation Of Regional Regulation Number 7 Of 2023 Concerning Regional Taxes And Regional Levies In Malang Regency

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Abstract

This research focuses on analyzing the implementation of Malang Regency Regional Regulation Number 7 of 2023 concerning Regional Taxes and Retributions in an effort to optimize Regional Original Revenue (PAD). This study aims to understand how regional tax and retribution policies are implemented, the local government's strategies in strengthening fiscal capacity, and the factors that support and hinder the successful implementation of these policies. This research uses a qualitative approach with a descriptive research type. Research data were obtained through interviews, observations, and documentation of parties involved in the management of regional taxes and retributions. Data analysis was conducted using the interactive model of Miles, Huberman, and Saldaña through the stages of data condensation, data presentation, and drawing conclusions. The results show that the implementation of Malang Regency Regional Regulation Number 7 of 2023 has strengthened the regional tax and retribution management system through regulatory certainty, improved tax administration, service digitization, updating taxpayer data, and strengthening revenue oversight. Optimization of PAD is influenced by supporting factors such as clear regulations, institutional capacity, utilization of information technology, and the region's substantial economic potential. However, the study also identified several obstacles, such as low public compliance, limited tax data collection, inadequate human resource readiness, and challenges in the digital transformation process. The implications of this study indicate that increasing local revenue (PAD) depends not only on strong fiscal policies but also requires transparent governance, adaptive public services, and active public participation. This research

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contributes to the study of public policy implementation and fiscal decentralization by emphasizing the importance of integrating regulations, technology, and institutional capacity in building regional fiscal independence.

Keywords: Policy Implementation; Regional Taxes and Levies; Regional Original Income (PAD)

INTRODUCTION

Fiscal decentralization is a crucial instrument in the implementation of regional autonomy, aiming to improve the effectiveness of public services, equitable development, and public welfare through the delegation of authority from the central government to regional governments (Ramawati et al., 2025; Santika et al., 2025). The implementation of fiscal decentralization in Indonesia positions regional governments as the primary actors in managing regional economic and financial resources to finance independent governance (Amsyah & Sudardi, 2025; Hardiana, 2023). A region's ability to optimally manage revenue sources is an indicator of the success of regional autonomy because it reflects the level of fiscal independence a region possesses. The greater a region's ability to finance its own government needs, the lower its dependence on transfer funds from the central government. From the perspective of Oates' fiscal decentralization theory, regional governments with strong fiscal capacity will be more effective in providing public services that meet the needs of local communities (Jalante, 2026; Panggabean et al., 2025). Therefore, strengthening regional fiscal capacity is a strategic and relevant issue to study in the context of regional financial management in Indonesia.

Regional fiscal capacity can generally be represented by the amount of Regional Original Revenue (PAD) collected by local governments (Saragih, 2025). PAD plays a crucial role because it not only serves as a source of financing for regional development but also serves as an indicator of the region's economic capacity to generate revenue independently. The existence of PAD reflects the extent to which local governments are able to utilize the economic potential available within their regions to support development and public services (Kamala et al., 2025). In fiscal capacity theory, increasing PAD indicates the ability of local governments to strengthen financial independence and reduce dependence on central government assistance. Therefore, optimizing PAD is one of the primary objectives in the implementation of regional autonomy because it is directly related to the sustainability of regional development. This condition makes PAD a strategic instrument in the regional financial system.

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Regional taxes and levies are key components of local revenue (PAD) (Dewantoro, 2022). Regional taxes are mandatory contributions paid by the public or business entities to the local government based on statutory provisions without receiving any direct compensation. Meanwhile, regional levies are levies imposed on services or specific permits provided directly by the local government to the public. Both instruments contribute significantly to regional revenues because they are derived from economic activity within their respective regions. From a public finance theory perspective, regional taxes and levies are fiscal instruments that function not only as a source of revenue but also as regulatory tools that can stimulate regional economic growth (Diandra et al., 2026). Therefore, the effective management of regional taxes and levies is a crucial factor in determining the success of local governments in increasing local revenue (PAD) and strengthening fiscal independence.

Malang Regency is a region in East Java Province with diverse economic characteristics, supported by the growing agricultural, trade, manufacturing, service, and tourism sectors. This diversity of economic sectors generates a relatively large potential for regional tax and levy revenue compared to regions that rely solely on a single economic sector. The growth of the tourism, hotel, restaurant, trade, and other service sectors creates a variety of tax and levy revenue sources that can be optimized as local revenue (PAD) sources. This potential makes Malang Regency a region with significant opportunities to increase fiscal independence through optimized regional revenue management. As an adaptation to national policies regarding central and regional financial relations, the Malang Regency Government enacted Regional Regulation Number 7 of 2023 concerning Regional Taxes and Regional Levies (Kauna, 2024). This regulation serves as a new legal basis that more comprehensively governs the governance of regional tax and levy collection, implementing Law Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments (Irawan et al., 2026).

Although Malang Regency has significant economic potential, field observations indicate that optimizing regional tax and levy revenue still faces various challenges. Realized regional revenue in some sectors does not fully reflect the available economic potential. This situation indicates a gap between the potential for taxes and levies and the level of revenue collected by local governments. Furthermore, the implementation of Regional Regulation No. 7 of 2023 requires adjustments to the institutional aspects, human resources, collection mechanisms, and administrative systems used by local governments. Substantial regulatory changes also require a sufficient level of understanding from both government officials and the public, both taxpayers and levies payers. If the policy implementation process is not optimal, the goals of increasing local

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revenue (PAD) and strengthening regional fiscal independence will be difficult to achieve.

Another concerning phenomenon is the ongoing challenge of increasing taxpayer and levy compliance with applicable regulations. In practice, the implementation of regional tax and levy policies often faces challenges such as low public awareness, limited oversight, and the suboptimal use of information technology in regional tax administration processes. On the other hand, regional governments are required to increase regional revenue without creating an excessive burden on the public and businesses. This situation suggests that the successful implementation of Regional Regulation Number 7 of 2023 is not solely determined by the substance of the regulation but is also influenced by various supporting factors within the policy environment. Therefore, research is needed that can in-depth examine how this policy is implemented and the factors that influence its success in supporting increased regional revenue (PAD) in Malang Regency.

Several previous studies have shown that the management of regional taxes and levies is closely linked to increasing the fiscal capacity of regional governments. Research by Adilla et al. (2025) found that regional tax policy reform supported by clear regulations can improve the effectiveness of tax collection and strengthen regional revenue. Research by Haryani (2025) shows that the institutional capacity of local governments is a critical factor determining the success of fiscal policy implementation in increasing regional revenue. Meanwhile, research by Nayla et al. (2025) explains that digitizing the tax administration system can improve tax collection efficiency and reduce the potential for regional revenue leakage. These research results indicate that the success of increasing Regional Original Revenue (PAD) is determined not only by regional economic potential but also by the effectiveness of the implementation of policies governing the management of regional taxes and levies.

Although various studies have examined the impact of regional taxes and levies on Regional Original Revenue (PAD), most have focused on quantitative aspects. Studies on the implementation of new regulations following the enactment of Law Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments, particularly Malang Regency Regulation Number 7 of 2023 concerning Regional Taxes and Levies, are still relatively limited. However, the success of a policy is determined not only by the substance of the regulation but also by the effectiveness of its implementation. Therefore, this research is important to fill the research gap and provide a deeper understanding of the implementation of regional fiscal policies in supporting PAD optimization.

The novelty of this research lies in its focus on the implementation of Malang Regency

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Regional Regulation Number 7 of 2023 concerning Regional Taxes and Levies, a new regulation following the enactment of Law Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments. Unlike previous research, which emphasized the quantitative contribution of taxes and levies to Regional Original Revenue (PAD), this study focuses on the policy implementation process and the factors that support and hinder PAD optimization. Therefore, this research is expected to provide new contributions to the study of regional fiscal policy implementation.

Based on this description, this study aims to analyze the implementation of Malang Regency Regional Regulation Number 7 of 2023 concerning Regional Taxes and Levies in an effort to optimize Regional Original Revenue (PAD). This research focuses on the policy implementation process and the factors influencing its success. The research findings are expected to contribute to academic research and serve as evaluation material for the Malang Regency Government in improving the effectiveness of regional revenue management to support fiscal independence.

METODE

This research uses a qualitative approach with a descriptive research type because the research focuses on an in-depth understanding of the implementation process of Malang Regency Regional Regulation Number 7 of 2023 concerning Regional Taxes and Regional Levies in an effort to optimize Regional Original Income (PAD) (Adelia et al., 2026). A qualitative approach was chosen because this research does not only look at regional revenue achievements quantitatively, but seeks to analyze how the policy is implemented, how the mechanism for collecting regional taxes and levies is carried out, as well as the factors that influence the success and obstacles in the implementation process. The focus of the study is directed at the dynamics of implementing regional fiscal policy as part of strengthening the fiscal capacity and financial independence of Malang Regency.

This research uses a public policy implementation perspective as a basis for analysis to understand the relationship between established policies and their implementation practices in the field. Policy implementation is understood as the process of translating government decisions into administrative actions involving various actors, resources and the policy environment. In the context of this research, the implementation of Regional Regulation Number 7 of 2023 is analyzed through aspects of policy communication, human resource capacity, implementing organizational structure, collection administration mechanisms, use of technology, as well as the community's response as taxpayers and retribution payers. This approach is used to explain how regional tax

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and levy policies are able to contribute to increasing PAD in Malang Regency.

The research location was determined in Malang Regency with the consideration that the area has diverse economic characteristics and the potential for quite large regional revenues from the regional taxes and levies sector. Malang Regency is a relevant location because it has economic activities in the tourism, trade, services, restaurants and other business sectors which are potential objects of regional revenue. In addition, this research considers the existence of new regulations through Malang Regency Regional Regulation Number 7 of 2023 which is an important instrument in reforming the management of regional taxes and regional levies.

The data sources in this study consist of primary and secondary data (Qomaruddin & Sa'diyah, 2024). Primary data were obtained through in-depth interviews with informants directly involved in the implementation of regional tax and levy policies. Research informants were selected using purposive sampling based on their understanding of the planning, implementation, and evaluation processes of policies. These informants included local government officials responsible for regional revenue management, technical implementers of tax and levy collection, and the public or business actors as parties with regional tax obligations. Meanwhile, secondary data were obtained through a documentary study of Malang Regency Regulation Number 7 of 2023, regional revenue report documents, regulations related to central and regional financial relations, and various scientific literature relevant to fiscal decentralization, local revenue (PAD), and public policy implementation.

Data collection techniques included observation, interviews, and documentation. Observations were conducted to directly observe the service process, collection mechanisms, and regional tax and levy administration practices in Malang Regency (Perdananto, 2024). In-depth interviews were used to obtain information regarding the experiences, understanding, and perspectives of actors involved in policy implementation. Through these interviews, the study explored local government strategies for increasing local revenue (PAD), forms of service innovation, implementation obstacles, and factors supporting policy success. Documentation was used to strengthen the research data through analysis of official documents and reports related to the management of local taxes and levies.

Data analysis in this study employed the interactive analysis model of Miles, Huberman, and Saldaña, which encompasses three main stages: data condensation, data presentation, and conclusion drawing (Fatimah et al., 2025). In the data condensation stage, researchers selected, focused, and simplified data from interviews, observations, and documentation to align with the research focus. Next, the categorized data was presented in a descriptive narrative to illustrate

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the implementation process of Regional Regulation No. 7 of 2023, strategies for optimizing local revenue (PAD), and the supporting and inhibiting factors of the policy. The final stage involved interpretation and drawing conclusions based on the patterns of findings that emerged during the study.

The validity of the data in this study was tested using source and technical triangulation techniques. Source triangulation was conducted by comparing information from various informants with different perspectives, while technical triangulation was conducted by comparing the results of interviews, observations, and documentation. The use of triangulation aims to ensure that the research data has a high level of credibility and is able to objectively describe the conditions of policy implementation.

Through these research methods, this study is expected to provide a comprehensive overview of the implementation of Malang Regency Regulation Number 7 of 2023 in strengthening the regional tax and levy collection system, identifying strategies for optimizing local revenue (PAD), and analyzing factors that support and hinder the success of regional fiscal policies. The research results are expected to provide academic contributions to the study of public policy implementation and provide practical input for the Malang Regency Government in improving the effectiveness of regional revenue management.

RESULT AND DISCUSSION

Implementation of Regional Regulation Number 7 of 2023 on Strengthening the Collection of Regional Taxes and Levies

The implementation of regional tax and levy policies is a strategic instrument for strengthening the fiscal capacity of local governments within the framework of fiscal decentralization (Mutia et al., 2025). Fiscal decentralization grants regional governments broader authority to manage their economic resources in an effort to increase their ability to independently finance development and provide public services. In the context of regional autonomy, a region's ability to optimize Regional Original Revenue (PAD) is a key indicator for measuring fiscal independence. The greater the PAD's contribution to regional revenue, the stronger the local government's ability to finance development programs without heavy dependence on the central government.

Regional taxes and levies play a crucial role in the PAD structure because they are a source of revenue derived directly from community economic activity (Nai, 2024). Regional taxes are understood not only as a revenue instrument but also as a form of relationship between the

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government and the community in supporting regional development. Regional governments have a responsibility to explore local economic potential through effective, transparent, and sustainable tax management. However, substantial economic potential does not automatically increase regional revenue if it is not supported by clear regulations, a sound administrative system, and the ability of the apparatus to carry out the collection process.

Malang Regency boasts significant economic potential through various sectors, including tourism, trade, industry, restaurants, services, and the utilization of regional assets. This potential presents significant opportunities for the local government to increase revenue through regional taxes and levies. However, revenue optimization still depends on the local government's ability to identify potential, expand the tax base, improve taxpayer compliance, and strengthen oversight mechanisms.

To strengthen regional fiscal governance, the Malang Regency Government established Regional Regulation Number 7 of 2023 concerning Regional Taxes and Regional Levies. This regulation serves as the legal basis for the collection of regional taxes and levies and aligns with national policy, including Law Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments (Mutia et al., 2025). This regulation governs various aspects of regional tax management, including tax types, taxable objects, payment mechanisms, administrative services, and the regional revenue monitoring system.

From a public policy implementation perspective, the success of a regulation is determined not only by the quality of the formulated policy but also by the ability of the implementing organization to translate it into administrative practice (Bulqis & Bulqis, 2026). George C. Edward III explains that policy implementation is influenced by communication, resources, implementer disposition, and bureaucratic structure (Setyowati & Muljanto, 2026). In the context of regional taxes, communication is a crucial aspect because the public needs to understand the purpose and benefits of paying taxes. Meanwhile, apparatus resources are a supporting factor because policy implementation requires administrative capabilities, regulatory understanding, and skills in service delivery and oversight.

Previous research on regional financial management indicates that optimizing regional taxes is closely linked to increased fiscal independence. Low tax revenue is often not caused by minimal economic potential, but by weak data collection, oversight, and public compliance. Therefore, the success of regional tax policies depends not only on regulatory aspects but also on the quality of regional governance.

The implementation of Regional Regulation No. 7 of 2023 in Malang Regency

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demonstrates the local government's efforts to improve the collection system through strengthening regulations, improving administration, utilizing technology, and optimizing oversight. Digitizing tax services is a strategic step in increasing revenue effectiveness because it facilitates payment for taxpayers, increases transaction transparency, and assists the local government in more accurate revenue monitoring.

In addition to administrative improvements, local revenue (PAD) is also optimized through developing the potential of the regional economic sector. The Malang Regency Government has significant opportunities to increase revenue through the tourism, restaurant, trade, and service sectors. The strategy to increase PAD is not solely implemented through tax rate increases, but rather directed at expanding the revenue base through registering new taxpayers, updating the database, and strengthening oversight of taxable objects.



Based on the table, the implementation of Malang Regency's regional tax and levy policy demonstrates that strengthening local revenue (PAD) is achieved not only through increased revenue but also through the development of a more modern and accountable management system. Strong regulations serve as the primary foundation, while administration, technology, and

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service quality serve as supporting instruments in achieving policy effectiveness.

However, the implementation of this policy still faces various obstacles. One major challenge is the suboptimal level of taxpayer compliance. Some people still view taxes as merely an administrative obligation and do not fully understand that they contribute to regional development. This situation requires the local government to strengthen public communication through ongoing outreach.

In addition to community factors, other obstacles relate to the capacity of the apparatus and oversight of taxable objects. Regulatory changes through Regional Regulation No. 7 of 2023 require an adaptation process to ensure that all policy implementers have a common understanding of its implementation. The local government also needs to regularly update data, as regional economic developments create new tax potentials that must be identified.

Therefore, the implementation of Malang Regency Regulation No. 7 of 2023 concerning Regional Taxes and Levies is part of the regional fiscal governance reform process. This policy has provided a stronger legal basis for improving the effectiveness of tax collection and expanding opportunities for increasing local revenue (PAD). However, the policy's success remains dependent on the ability of local governments to strengthen the capacity of their apparatus, increase public compliance, improve administrative systems, and build transparent, accountable, and sustainable local tax governance.

Optimizing Regional Original Revenue through Regional Tax and Retribution Management in Malang Regency

Optimizing Locally Generated Revenue (PAD) through the management of local taxes and levies is a strategic instrument for strengthening the fiscal capacity of local governments (Rahma et al., 2026). From a fiscal decentralization perspective, local governments have greater authority to manage regional revenue sources to support development financing, public services, and independent governance (Handraini et al., 2024). PAD is an important indicator for measuring a region's level of independence because it reflects the local government's ability to explore and manage local economic potential without heavy dependence on fiscal transfers from the central government.

This concept aligns with the views of Musgrave and Musgrave in public finance theory, which explain that local government fiscal capacity is a critical factor in the successful implementation of regional autonomy (Putra et al., 2025). Regions with strong fiscal capacity will have the flexibility to determine development policies based on the needs of the local community.

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Therefore, the management of local taxes and levies is understood not only as a revenue collection activity but also as part of a governance mechanism that reflects the effectiveness, transparency, and accountability of local governments.

Malang Regency is one of the regions with significant economic potential as a source of regional revenue. This potential is supported by diverse economic sectors, such as agriculture, trade, industry, tourism, services, and the development of micro and medium-sized enterprises (MSMEs). This growing economic activity could theoretically form the basis for regional tax and levy revenues. However, the existence of economic potential does not automatically generate optimal local revenue (PAD). The local government's ability to identify taxable objects, increase taxpayer compliance, improve administrative services, and strengthen the oversight system are key factors determining the success of optimizing regional revenue.

In the context of strengthening the regional revenue management system, the Malang Regency Government established Regional Regulation Number 7 of 2023 concerning Regional Taxes and Regional Levies as a legal instrument for structuring regional revenue. This regulation represents the regional government's adaptation to changes in national policy following the issuance of Law Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments. This regulation provides a legal basis for regional governments in regulating types of regional taxes, collection mechanisms, revenue administration, the use of information technology, and strategies to improve the effectiveness of PAD management.

Theoretically, the implementation of regional tax and regional levy policies can be analyzed from the perspective of public policy implementation theory. According to George C. Edward III, the success of policy implementation is influenced by several key factors: communication, resources, the disposition of implementers, and bureaucratic structure (Sumarno et al., 2026). In PAD management, communication relates to the local government's ability to convey tax information to the public, while resources relate to the capacity of the apparatus to implement policies. The bureaucratic structure reflects how the administrative system is structured to ensure effective collection and reduce potential revenue leakage.

Based on the results of a study on the management of regional taxes and levies, optimization of Malang Regency's PAD is carried out through several key strategies, namely strengthening regulations, improving the quality of tax administration, expanding the revenue base, and utilizing information technology. The implementation of Regional Regulation No. 7 of 2023 is a crucial momentum for reforming regional revenue management because it provides

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legal certainty and encourages the creation of a more structured collection system.

Table 01. PAD Optimization Strategy through Regional Taxes and Regional Levies

Optimization Strategy	Implementation Form	Impact on Local Revenue (PAD)
Regulatory Strengthening	Implementation of Malang Regency Regulation Number 7 of 2023 as the legal basis for local tax and retribution collection	Provides legal certainty and clarifies the authority of local government in managing revenue sources
Tax Data Updating	Re-identification and updating of tax objects and taxpayers based on regional economic potential	Expands the revenue base and reduces the potential loss of local income
Service Digitalization	Utilization of electronic systems for tax payment processes and administrative management	Improves effectiveness, transparency, and accuracy in revenue collection
Increasing Public Compliance	Conducting socialization and education regarding local tax obligations	Encourages public awareness and compliance in fulfilling fiscal responsibilities
Strengthening Apparatus Capacity	Improving the competence of employees responsible for managing local taxes and retributions	Enhances service quality and increases the effectiveness of tax and retribution collection

One crucial aspect of optimizing local revenue (PAD) is strengthening the tax object data collection system. Data collection plays a strategic role because regional revenues are highly dependent on the government's ability to identify all available economic potential. In the context of Malang Regency, the development of the tourism, restaurant, trade, and service sectors is a potential sector that requires a dynamic data collection system. If the data collection process is not conducted regularly, there is a possibility of unidentified tax objects emerging, thus impacting low regional revenue realization.

This finding aligns with previous research, which states that the effectiveness of local revenue (PAD) is greatly influenced by the ability of local governments to expand the tax base and improve the quality of collection administration. Research on regional financial management indicates that regions capable of tax intensification and extensification have a greater opportunity

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to increase fiscal independence. Intensification is achieved through improving taxpayer compliance and service quality, while extensification is achieved through expanding new revenue objects and sources.

In addition to data collection, improving the quality of public services is also a crucial factor in driving local revenue optimization. From a public administration perspective, easy, fast, and

transparent tax services will increase public trust in the government. The public tends to be more compliant if the tax payment and administration system does not impose excessive bureaucratic burdens. Therefore, service reform is an important part of the regional government's strategy to increase revenue.

The use of information technology is also a crucial instrument in modernizing local revenue (PAD) management. Digitization enables more effective payment, recording, monitoring, and evaluation of revenues. Electronic-based systems can reduce reliance on manual mechanisms, which often face issues such as delays in recording, administrative errors, and weak oversight. Malang Regency Regional Regulation Number 7 of 2023 establishes the use of information systems as one approach to support more transparent and accountable tax and levy management.

However, optimizing Malang Regency's PAD still faces several obstacles. One key issue is the suboptimal level of taxpayer compliance. Some people still perceive regional taxes solely as an administrative obligation, rather than as a regional development instrument. This lack of understanding can impact public willingness to fulfill their fiscal obligations. Therefore, local governments need to strengthen tax outreach and education to ensure the public understands the relationship between tax payments and improving the quality of public services.

Another obstacle relates to the human resource capacity of local government officials. Regulatory changes through Regional Regulation Number 7 of 2023 require officials to have the ability to understand new regulations and implement them consistently. The civil service not only functions as tax collectors but also as public service providers, who must be able to deliver professional services to the public. Therefore, improving civil service competency, strengthening coordination between regional government organizations, and conducting regular evaluations are crucial factors in supporting successful policy implementation.

In managing regional levies, local governments also face unique challenges because the characteristics of levies differ from taxes. Levies are directly related to the services or facilities provided by the local government to the public. Therefore, optimizing levies cannot be achieved solely through tariff increases but must be accompanied by improvements in service quality. The public will be more accepting of levies if the public services they receive provide tangible benefits

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and meet their needs.

Overall, optimizing Locally-Generated Revenue (PAD) through the management of local taxes and levies in Malang Regency demonstrates the local government's efforts to strengthen fiscal independence through more modern revenue management. Malang Regency Regulation Number 7 of 2023 is a crucial instrument for improving the collection system through strengthened regulations, improved administration, digitized services, and revenue oversight. However, the success of PAD optimization remains dependent on synergy between the local government, the apparatus, business actors, and the public as taxpayers. With effective and sustainable management, PAD not only serves as a source of regional financing but also serves as an indicator of the local government's success in building independent, transparent, and responsive governance to community needs.

Supporting and Inhibiting Factors in the Implementation of Regional Tax and Retribution Policies

The implementation of regional tax and levy policies is a complex public administration process, as its success is determined not only by the existence of regulations but also by institutional capacity, human resource capacity, technological support, and the level of public participation (Sholichah & Pramudiana, 2024). Within the framework of fiscal decentralization, regional governments are given the authority to manage local revenue sources as an effort to strengthen regional financial independence. Regional taxes and levies are the primary instruments for increasing Regional Original Income (PAD), so the effectiveness of their implementation is directly related to the regional government's ability to finance development and public services.

This concept aligns with the theory of fiscal decentralization, which explains that granting authority to regional governments must be accompanied by the region's ability to independently manage revenue sources. According to Oates' theory of fiscal decentralization, regions will be able to achieve development efficiency if they have the capacity to manage their own fiscal resources (Jalante, 2026). Therefore, optimizing regional taxes and levies is not only related to revenue but also reflects the regional government's ability to create effective, transparent, and sustainable fiscal governance.

Malang Regency boasts diverse economic characteristics with significant potential for developing regional revenue sources. The tourism, trade, services, restaurants, industry, and community economic activities sectors provide a potential basis for increasing local revenue (PAD). However, this substantial economic potential does not automatically translate into optimal

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revenue. This potential must be supported by effective management mechanisms through accurate data collection systems, quality administrative services, strong oversight, and public compliance in fulfilling their tax obligations.

To strengthen regional revenue governance, the Malang Regency Government enacted Regional Regulation Number 7 of 2023 concerning Regional Taxes and Regional Levies. This regulation serves as a legal instrument governing the management of regional taxes and levies and serves as an adjustment to Law Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments. Through this regulation, the regional government seeks to improve the collection system, expand the revenue base, enhance service quality, and establish a more modern revenue administration system.

Theoretically, the implementation of regional tax and regional levy policies can be analyzed using George C. Edward III's policy implementation model which states that the success of a policy is influenced by four main factors, namely communication, resources, disposition of the implementer, and bureaucratic structure. In the context of PAD management, communication is related to how the government conveys policy information to the public, resources are related to apparatus capabilities and facility support, disposition is related to the commitment of policy implementers, while bureaucratic structure is related to organizational mechanisms in implementing policies.

Based on the results of the study, there are several factors that support the implementation of regional tax and regional levy policies in Malang Regency. One of the main factors is the strengthening of regulations through Regional Regulation Number 7 of 2023. This regulation provides a clear legal basis for regional governments in collecting taxes and levies. Clarity of regulations is an important aspect because it can reduce uncertainty in the implementation process and provide certainty to the public regarding their obligations and rights as taxpayers and levy payers.

The existence of strong regulations also supports the creation of coordination between regional apparatus organizations in managing regional revenues. In public administration practice, the success of a policy is greatly influenced by the implementing organization's ability to translate rules into concrete actions. Regional Regulation Number 7 of 2023 not only functions as a legal instrument, but also as a guideline in building a more focused collection system, starting from the data collection process, determination, payment, to revenue monitoring.

Apart from regulatory factors, the quality of local government institutions is also an important supporting factor in policy implementation. Previous research on regional financial management

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shows that institutional capacity has a large influence on the effectiveness of PAD. Regional governments that have good administrative systems tend to be able to manage revenue potential optimally because they are able to carry out planning, mapping tax objects and monitoring more effectively. On the other hand, institutional weaknesses can cause regional economic potential to be unable to be converted into regional revenues.

Another supporting factor is the use of information technology in the management of regional taxes and levies. Digitizing tax administration is one form of innovation by local governments to improve the effectiveness of public services. Through electronic-based systems, the payment process, recording, monitoring, and evaluation of revenues can be carried out more quickly and accurately. Technology also provides opportunities for local governments to reduce the potential for administrative errors and increase transparency in regional revenue management.

This use of technology aligns with the concept of electronic government (e-government), which positions information technology as an instrument for improving the quality of public services. In regional tax management, the implementation of digital systems not only benefits the government but also makes it easier for the public to fulfill their tax obligations. A simpler and more flexible payment process can improve taxpayer compliance by reducing administrative barriers.

In addition to regulatory and technological aspects, regional economic potential is also a key supporting factor in the implementation of regional tax and levy policies in Malang Regency. The existence of the tourism, restaurant, trade, and service sectors provides significant opportunities to expand the regional revenue base. The growth in community economic activity directly opens up room for increased revenue through regional taxes. However, this potential must be accompanied by a dynamic data collection system so that all economic activities subject to taxation are included in the regional government's revenue base.

Despite various supporting factors, the implementation of regional tax and levy policies also faces a number of obstacles. One major obstacle is the level of taxpayer compliance, which remains a challenge in optimizing local revenue (PAD). Some members of the public and business actors do not fully understand the contribution of regional taxes to regional development. This low level of understanding leads some taxpayers to fail to fulfill their obligations in a timely manner or in accordance with regulations.

The issue of public compliance demonstrates that fiscal policy implementation requires not only an administrative approach but also a social one. Regional governments need to strengthen policy

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communication through tax outreach and education activities. Public awareness is crucial because the regional tax system fundamentally requires active participation from the public as the primary source of revenue.

Another obstacle identified was limitations in the monitoring and data collection of taxable objects. Malang Regency has a vast area with a dispersed economy, so the local government faces challenges in ensuring that all tax and levy objects are optimally identified. This situation creates a potential gap between potential available revenue and the actual PAD collected.

Furthermore, limited human resources among civil servants also hamper policy implementation. Regulatory changes through Regional Regulation No. 7 of 2023 require civil servants to understand and consistently apply the new rules. Differences in understanding of regulations can lead to suboptimal collection processes. Therefore, increasing civil servant capacity through training, strengthening coordination, and policy evaluation is crucial.

Another challenge relates to the digital transformation process in regional tax management. Although electronic systems offer many benefits, not everyone has the same ability to use digital services. Some taxpayers still require assistance in making electronic payments. This situation demonstrates that digitalization must be implemented gradually, taking into account community readiness.

Based on these overall findings, it is clear that the implementation of regional tax and levy policies in Malang Regency is influenced by the interaction of supporting and inhibiting factors. Supporting factors, such as strong regulations, strong institutions, the use of technology, and regional economic potential, are crucial for increasing local revenue (PAD). Meanwhile, obstacles such as low public compliance, limited oversight, apparatus capacity, and challenges with digitalization require improvement.

Therefore, the successful implementation of Malang Regency Regional Regulation Number 7 of 2023 depends not only on the quality of the policy but also on the local government's ability to develop an adaptive revenue governance system. Optimizing local revenue (PAD) requires an integration of legal, administrative, technological, and community participation aspects. If supporting factors can be strengthened and implementation barriers can be minimized, regional tax and levy policies can become important instruments for increasing fiscal independence and strengthening sustainable regional development in Malang Regency.

CONCLUSION

Based on the results of research on the implementation of Malang Regency Regional

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Regulation Number 7 of 2023 concerning Regional Taxes and Levies in an effort to optimize Regional Original Revenue (PAD), it can be concluded that strengthening regional fiscal capacity depends not only on the existence of regulations, but also on the ability of local governments to translate policies into effective revenue governance. The research findings indicate that Regional Regulation Number 7 of 2023 serves as a crucial foundation for improving the tax and levy collection system through regulatory strengthening, administrative reform, service digitization, expanding the revenue base, and improving the quality of oversight. The main lesson from this research is that optimizing PAD is a process involving synergy between legal, institutional, technological, and public participation aspects. From a theoretical perspective, this research reinforces the understanding that the success of public policy implementation, as proposed by George C. Edward III, is strongly influenced by policy communication, resources, implementer disposition, and bureaucratic structure. Practically, this research demonstrates that increasing regional revenue cannot be achieved solely through intensified collection, but must be built through transparent public services, increased taxpayer compliance, and fiscal governance oriented towards sustainable regional development.

This research contributes to enriching the study of regional fiscal policy implementation by presenting a perspective on how regional tax and levy regulations are implemented following changes in central and regional financial relations policies through Law Number 1 of 2022. The novelty of this research lies in the analysis of the relationship between the implementation of Regional Regulation Number 7 of 2023, strategies for optimizing local revenue (PAD), and the supporting and inhibiting factors in the comprehensive management of regional revenue in Malang Regency. This research provides an understanding that strengthening local revenue (PAD) is not only a matter of increasing revenue figures, but also related to administrative reform and building public trust in the local government. However, this research has limitations because it focuses on a single study area, namely Malang Regency, with a qualitative approach that emphasizes an in-depth understanding of the policy implementation process. Further research is needed with a broader scope, a quantitative or mixed-methods approach, and consideration of variations in taxpayer characteristics based on business sector, age, and level of public understanding. This is important to obtain a more comprehensive picture of the effectiveness of regional tax and levy policies as a basis for formulating more targeted fiscal policies.

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