

The Restaurant Tax Paradox: Bridging Effectiveness and Contribution to Regional Revenue (PAD) in Eastern Indonesia

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Abstract

Purpose: This research explores the paradoxical nature of restaurant taxation in Manokwari Regency, West Papua, by assessing both the efficiency of tax collection and its contribution to local own-source revenue (PAD) from 2019 to 2023.

Methodology/approach: Using a descriptive quantitative method, the study analyzes secondary data from regional financial reports. SPSS version 25 is used to assess the efficiency of tax collection and its contribution to PAD. Pearson correlation and simple linear regression are applied to explore the relationship between the variables.

Results/findings: The results show that the effectiveness of restaurant tax collection in Manokwari consistently exceeds annual targets, with an average rate of 108.44%. However, its fiscal contribution to PAD remains modest, averaging only 9.49% per year. Statistical tests indicate a positive but statistically insignificant relationship between collection effectiveness and PAD contribution, with a determination coefficient of only 1%.

Conclusions: This study highlights a structural gap between administrative achievement and fiscal impact. This paradox is mainly caused by a narrow tax base, the predominance of micro and informal businesses, and low voluntary compliance. To enhance PAD from the restaurant tax sector, it is essential to expand the tax base, improve fiscal literacy, and strengthen supervision and incentives for restaurant businesses.

Limitations: This research is limited to Man okwari Regency and adopts a quantitative approach without incorporating external or qualitative factors.

Contribution: This study provides actionable recommendations for optimizing restaurant tax management in developing regions and offers a foundation for further research using broader and mixed-method approaches to achieve a more comprehensive understanding of local tax governance.

Keywords: *Contribution, Developing Region, Restaurant Tax, Fiscal Effectiveness, Local Own-Source Revenue*

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1. Introduction

Within the context of regional autonomy strengthened by fiscal decentralization in Indonesia, Regional Own-Source Revenue (PAD) has become a vital instrument for supporting local governments' financial independence and public service capacity (Rasid, Masia, & Hasyim, 2025). Among the various types of local taxes, restaurant tax holds a strategic position, especially in regions experiencing growth in the

service and tourism sectors. Restaurant tax not only reflects the dynamics of community consumption but also represents the fiscal potential that can be directly mobilized by local governments. Therefore, the effectiveness and contribution of restaurant tax to PAD serve as important indicators for assessing local fiscal performance (Putu, Sastri, & Yudha, 2024). However, a paradoxical phenomenon emerges: despite the high effectiveness of restaurant tax collection, its contribution to PAD remains low. This raises a fundamental question regarding the extent to which restaurant tax management can meet regional fiscal demands—particularly in underdeveloped areas such as Eastern Indonesia (Hikam, Pramukty, & Yulaeli, 2022; Ramadani & Siregar, 2023).

Evidence from several regions, such as Banjarmasin, Bandung, Jepara, Batu Bara, and Magelang, shows that high effectiveness in restaurant tax collection does not automatically translate into a significant contribution to PAD (Achmad & A'la, 2022; Hidayah & Prakoso, 2022; Lubis & Fitrianiingsih, 2022). However, most of these studies have focused on regions with broad tax bases and adequate institutional capacity. Only a few have explicitly examined the context of underdeveloped regions with large fiscal gaps, narrow tax bases, and low fiscal compliance (Liyana, Wardana, Haniyah, & Susanto, 2024). This literature gap highlights the need for research that investigates the fiscal paradox in regions such as Manokwari to determine whether collection effectiveness truly impacts fiscal contribution (Hikam et al., 2022).

The main issue raised in this study is the gap between the collection effectiveness and the fiscal contribution of restaurant tax. This phenomenon, known as the *fiscal paradox*, occurs when taxes are collected efficiently but contribute only minimally to PAD. Normatively, high effectiveness indicates the optimization of revenue potential. However, in this case, effectiveness does not align with contribution, raising concerns about the tax base structure, fiscal oversight, and regional revenue development strategies (Ramadani and Siregar, 2023). Generally, the solutions proposed in the fiscal literature include improving institutional capacity, expanding the tax base, and adopting digital tax systems. For instance, Bandung has demonstrated that enhanced administrative systems and the use of information technology can increase the effectiveness of restaurant tax collection (Achmad & A'la, 2022; Gunawan, Utami, & Sholeh, 2022; Pertiwi & Kurniawan, 2024).

Meanwhile, Kendari strengthened its contribution by developing institutional capacity and adopting tax policies that emphasized local potential (Mbailo et al., 2022). This indicates that fiscal effectiveness is determined not only by the collection system but also by the quality of fiscal planning, comprehensive tax databases, and incentives that encourage taxpayer compliance. Importantly, solutions to the fiscal paradox must consider regional contexts. In Eastern Indonesia, the challenges differ significantly from those in the Western regions. Geographic characteristics, fiscal capacity, and taxpayer compliance vary significantly. Hence, the generic strategies adopted by more advanced regions may not yield optimal results. Manokwari, as the administrative center of West Papua, faces challenges in expanding its restaurant tax base due to limited business growth, manual reporting systems, and low fiscal awareness among business actors.

The literature indicates that high effectiveness in other regions does not necessarily guarantee high contributions to PAD, especially when the tax base is narrow and local economic growth slow. Therefore, this study is crucial for examining whether a similar pattern occurs in Manokwari and what determinants shape the relationship between effectiveness and contribution. Previous studies have generally focused on regions with strong fiscal capacity. Only a few studies have explored underdeveloped regions such as Manokwari, which face unique fiscal dynamics and require more contextual approaches. This study aims to analyze the effectiveness and contribution of restaurant tax to PAD simultaneously in the context of Manokwari Regency for the period 2019–2023. It proposes a model that examines the relationship between effectiveness and contribution while evaluating the extent to which effectiveness can predict fiscal contribution.

The novelty of this study lies in the direct comparison between advanced regions such as Bandung and underdeveloped regions such as Manokwari. Bandung has a wide tax base, strong information technology support, and well-established institutional capacity, allowing collection effectiveness to

align closely with contribution. Conversely, Manokwari faces limited tax bases, manual administrative procedures, and low compliance, making the fiscal paradox more evident. This difference demonstrates that effectiveness does not automatically ensure contribution; rather, the results depend heavily on regional economic and institutional contexts. Additionally, this study uses quantitative methods and regression analysis to provide empirical evidence supporting the validity of the relationships between the variables.

The findings are expected to contribute to strengthening local fiscal capacity and offering strategies to optimize restaurant tax as a potential revenue source that remains underutilized in underdeveloped regions. Therefore, this research not only enriches the literature on restaurant tax effectiveness and contribution in Eastern Indonesia but also offers new insights relevant to policy development in other regions with similar economic structures, both nationally and in developing countries (Achmad & A'la, 2022; Izati & Saipudin, 2023; Refi, Iis, Destia, & Mas Iman, 2024). Moreover, the results of this study may serve as a reference for policymakers in developing countries facing similar challenges in increasing regional revenue from the informal and service sectors.

2. Literature Review and Hypothesis Development

2.1 Effectiveness and Contribution of Restaurant Tax

The effectiveness and contribution of restaurant tax have increasingly become the focus of scholarly inquiry, particularly in the context of strengthening regional fiscal independence (Hartati et al., 2024; Kalalo et al., 2024; Refi et al., 2024). Previous studies have consistently shown that the effectiveness of restaurant tax collection is generally high across various regions in Indonesia. For instance, in the City of Banjarmasin, the effectiveness of restaurant tax collection reached an average of 107.28% from 2020 to 2021 (Hutama & Abidin, 2022). In Jepara Regency, the effectiveness was even higher, reaching 125% from 2012 to 2020 (Hidayah & Prakosa, 2022). Bandung also reported stable effectiveness above 100% for five years (Achmad & A'la, 2022; Zannatunisa & Halimatusadiah, 2023). Similar trends were observed in Batu Bara and Magelang, where the effectiveness ranged from 92% to 148% over certain periods (Fitriani, Priyono, & Nugraheni, 2022; Lubis & Fitriarningsih, 2022). Very high effectiveness was also recorded in Kupang (107.36%) and Tomohon, which consistently exceeded its targets since 2013 (Djawang, 2024; Makalew, Nangoi, & Lambey, 2018).

Despite the generally high effectiveness of restaurant tax collection in major cities across Indonesia, its contribution to PAD remains relatively low (Achmad and A'la, 2022; Hidayah and Prakoso, 2022; Hutama and Abidin, 2022). The mismatch between effectiveness and contribution is often influenced by factors such as a narrow tax base, the dominance of micro-informal businesses, and weak fiscal compliance (Izati & Saipudin, 2023; Mbailo et al., 2022). This highlights the need for strategies that go beyond administrative improvements and address the structural weaknesses within the local taxation system. In Magelang Regency, the maximum contribution reached only 4.54%, and in Gresik, it was even lower (Fitriani et al., 2022; Veronika & Akbar 2023). These findings reinforce the conclusion that high effectiveness does not always guarantee a significant contribution to PAD (Setiawan & Gayatrie, 2018). To provide a more systematic overview of previous empirical studies, the following synthesis table is presented.

Table 1. Summary of Previous Studies

Researcher & Year	Research Location	Effectiveness	Contribution to PAD	Key Notes
Hutama and Abidin (2022)	Banjarmasin	107,28% (2020–2021)	15,09%	Effective, low contribution
Hidayah and Prakoso (2022)	Jepara	125% (2012–2020)	1,4%	Highly effective, very low contribution
Achmad and A'la (2022)	Bandung	>100% (2017–2021)	<15%	Effective, minimal contribution despite large tax base

Fitriani et al. (2022)	Magelang	92–148% (2017–2021)	4,54% (maks)	Fluctuating, limited contribution
Mbailo et al. (2022)	Kendari	100% (2019–2021)	6,92%	Fully effective, contribution remains low
Izati and Saipudin (2023)	Banjarmasin	112,85% (2018–2022)	14,27%	Limited tax base, contribution does not increase

Source: Compiled from previous studies (Achmad & A'la, 2022; Fitriani et al., 2022; Hidayah & Prakoso, 2022; Hutama & Abidin, 2022; Izati & Saipudin, 2023; Mbailo et al., 2022)

The table reinforces the presence of a fiscal paradox, namely that high effectiveness is not followed by a significant contribution to the PAD. This reflects the limitations of the tax base and local economic structure, which have not yet been able to support the optimization of fiscal revenues. Several factors influencing the effectiveness and contribution of restaurant taxes have been identified in the literature. Achmad and A'la (2022) show that strategic location and strong administrative services in Bandung positively affect effectiveness of the program. Meanwhile, in Kendari, strategies to increase revenue include institutional strengthening and the development of policies based on local potential (Alhusna & Harahap, 2022; Kasim, Juhaepa, Masrul, Roslan, & Tawulo, 2022). Conversely, in Batu Bara and Magelang, fluctuating effectiveness is associated with inconsistent economic conditions and low administrative efficiency (Fitriani et al., 2022; Lubis & Fitriyaningsih, 2022).

According to Mohan and Strobl (2024), the optimization of local taxes is determined by achieving a balance between collection effectiveness and fiscal contributions that truly impact the increase in Regional Own-Source Revenue (PAD). A fiscal paradox emerges when administrative performance exceeds collection targets, but the contribution to PAD remains low. This condition demonstrates that technical effectiveness alone does not guarantee a strengthened regional fiscal capacity, particularly in regions with narrow tax bases, such as Manokwari. Therefore, this analytical framework is more appropriate for understanding fiscal dynamics in developing regions, while emphasizing the urgency of structural reforms that go beyond mere administrative improvements. Based on the reviewed literature and theoretical foundation, the research hypothesis is formulated as follows:

H₁: There is a positive and significant relationship between the effectiveness of restaurant tax collection and the contribution of restaurant tax to Regional Own-Source Revenue (PAD) in Manokwari Regency from 2019 to 2023.

3. Research Methodology

This study employs a descriptive quantitative approach to analyze the effectiveness and contribution of restaurant tax to Regional Own-Source Revenue (PAD) in Manokwari Regency during the 2019–2023 period. This approach was chosen to obtain an objective overview based on the available numerical data and to explain the relationships between the variables through relevant statistical analyses. The research design is a case study, focusing specifically on Manokwari Regency as the subject of analysis. Manokwari was selected because it represents the characteristics of regions in Eastern Indonesia that are striving to enhance fiscal independence by optimizing local revenue sources, including restaurant taxes.

This study focuses on analyzing secondary data, which includes the targets and realizations of restaurant tax revenue, along with the total PAD of Manokwari Regency over the five-year period from 2019 to 2023. All data were obtained from official government sources, such as the Regional Budget Realization Reports (Laporan Realisasi APBD) and annual reports published by the Regional Revenue Agency (Bapenda) of the Manokwari Regency. The population of this study consisted of all local tax revenue report documents in the region, while the sample analyzed comprised annual data on restaurant tax and PAD over the most recent five-year period.

Data collection in this study was carried out through documentary research by tracing and compiling secondary data from various archives and documents obtained from relevant government agencies. Data

validity was ensured by confirming that all documents originated from official and accountable local government institutions in the region. The research model consists of two main variables: the effectiveness of restaurant tax collection as the independent variable (X) and the contribution of restaurant tax to PAD as the dependent variable (Y).

Effectiveness was measured using the formula comparing restaurant tax realization to its target, while contribution was calculated from the proportion of restaurant tax realization to total PAD and expressed as a percentage. This study employed descriptive and inferential statistical analyses for data processing. Descriptive analysis was used to present the effectiveness and contribution of the restaurant tax each year in percentage form. To examine the relationship between collection effectiveness and contribution to PAD, Pearson's correlation and simple linear regression were applied. All analytical procedures were performed using SPSS version 25.

The data analysis steps were performed systematically.

1. First, the effectiveness of the restaurant tax was calculated annually using the following formula:
$$\text{Effectiveness (\%)} = (\text{Restaurant Tax Realization} / \text{Target}) \times 100$$
2. Second, the contribution of the restaurant tax was calculated using the following formula:
$$\text{Contribution (\%)} = (\text{Restaurant Tax Realization} / \text{Total PAD}) \times 100$$

After obtaining the effectiveness and contribution data for the five-year period, statistical tests were conducted to examine the relationship between these two variables. The results of the Pearson correlation test were used to determine the strength and direction of the relationship, while the regression test was used to identify the extent to which effectiveness significantly influenced the contribution. The interpretation of the statistical results was based on comparing the significance value (p-value) with a significance level of 0.05. If $p < 0.05$, the relationship between effectiveness and contribution was considered to be significant. Conversely, if $p > 0.05$, the relationship was considered not significant. The regression coefficient was also analyzed to determine the magnitude of the influence of the independent variable on that of the dependent variable. Through this research design and analytical technique, this study is expected to provide a comprehensive overview of local fiscal performance, particularly in the restaurant tax sector in Manokwari Regency. Furthermore, the findings of this study may serve as a reference for local governments in formulating policies to improve regional tax revenue more effectively and meaningfully.

4. Results and Discussion

4.1 General Overview of Restaurant Tax Performance in Manokwari

This study provides an in-depth empirical evaluation of the effectiveness and contribution of restaurant tax to Regional Own-Source Revenue (PAD) in Manokwari Regency, Eastern Indonesia, from 2019 to 2023. The analysis is based on official government data and processed statistically using IBM SPSS 25, allowing the study to capture the quantitative dynamics underlying the “restaurant tax paradox” phenomenon in developing regions. During the 2019–2023 period, restaurant tax revenues in Manokwari fluctuated from year to year; however, the collection effectiveness remained consistently high, with an average exceeding 100%. Despite this, the contribution of restaurant tax to PAD averaged only around 9.49%, revealing a substantial gap between administrative success and actual fiscal impact.

These findings are consistent with research conducted in various regions in Indonesia, which concluded that improvements in collection systems alone have not been sufficient to substantially increase regional own-source revenue (Fitriani et al., 2022; Riskarini, Ardianto, & Andamari, 2024). This indicates the need for a more comprehensive and adaptive policy approach aligned with local economic characteristics of the region. Meanwhile, the contribution of restaurant tax to PAD in Manokwari ranged from 6.43% to 13.54% (mean = 9.49%, standard deviation = 3.34). Although the level of effectiveness consistently remained high, the fiscal contribution remained relatively limited, a pattern also found in other studies examining the effectiveness of local tax policies (Fitriani et al., 2022; Lubis & Fitriyaningsih, 2022). This forms the core of the “fiscal paradox” phenomenon observed in this study.

Table 2. Descriptive Statistics of Restaurant Tax and PAD in Manokwari (2019–2023)

Variable	N	Minimum	Maximum	Mean	Standard Deviation
Restaurant Tax (Rp)	5	5.752.658.269	12.281.985.920	9.061.726.582	2.927.204.594,92
Target (Rp)	5	4.778.014.894	13.170.797.595	8.655.518.169	3.623.643.151,99
PAD (Rp)	5	84.605.179.537	109.143.330.570	96.412.963.644	10.131.879.651,71
Effectiveness (%)	5	93,25	120,40	108,44	11,80
Contribution (%)	5	6,43	13,54	9,49	3,34

Source: Processed from Manokwari Government Data, 2024

4.2 Correlation Analysis: Restaurant Tax and PAD

The next step was to test the direct relationship between restaurant tax realization and total PAD. The Pearson correlation coefficient obtained was -0.099 with a significance value (p) of 0.874 ($N = 5$), indicating a very weak and statistically insignificant negative relationship between the two variables. This implies that fluctuations in restaurant tax revenue did not meaningfully affect PAD during the study period. It is important to note that the interpretation of the statistical results in this study is exploratory, given the very limited number of annual observations ($N = 5$). Therefore, the results should be regarded as an initial basis for further research with a longer time frame or broader data coverage to make the findings more robust and generalizable. These results reinforce previous findings in the literature, which highlight that technical effectiveness in tax collection does not automatically lead to increased fiscal contribution (Hidayah & Prakoso, 2022; Lubis & Fitrianiingsih, 2022). Structural factors, such as the breadth of the tax base, the dominance of micro-informal businesses, and low voluntary taxpayer compliance, play a decisive role in determining fiscal outcomes (Izati & Saipudin, 2023; Mbailo et al., 2022).

Table 3. Correlation Matrix: Restaurant Tax and PAD in Manokwari (2019–2023)

Variable	Restaurant Tax	PAD
Restaurant Tax	1	-0,099
PAD	-0,099	1

Note: $p = 0.874$ (not significant); $N = 5$

Source: IBM SPSS 25 Output, 2024

4.3 Regression Analysis and Hypothesis Testing

To strengthen the analysis of the relationship between restaurant tax and PAD, a simple linear regression test was conducted with PAD as the dependent variable and restaurant tax as the independent variable. The results of the simple linear regression analysis show an R Square value of 0.010 , which means that only 1% of the variation in PAD can be explained by changes in restaurant tax revenue. The regression coefficient (B) was -0.344 (Std. Error = 1.988), with $t = -0.173$, and a significance value of 0.874 . The ANOVA test confirms that the regression model is not significant ($F = 0.030$; $p = 0.874$), reinforcing the conclusion that the effectiveness of restaurant tax alone is not a major predictor of PAD in Manokwari City.

Table 4. Summary of Regression Analysis: Restaurant Tax as a Predictor of PAD (2019–2023)

Statistic	Value	Interpretation
R Square (R^2)	0,010	Only 1% of PAD variation is explained by restaurant tax
Regression Coefficient (B)	-0,344	Negative, not significant
Significance (p)	0,874	Not significant at $\alpha = 0.05$
F (ANOVA)	0,030	Very small F value

Source: IBM SPSS 25 Output, 2024

These findings demonstrate that the effectiveness of restaurant tax collection in Manokwari is not significantly related to its contribution to PAD. In other words, although the local government has successfully exceeded collection targets administratively, such achievements do not automatically result in a meaningful increase in fiscal contributions. This condition emphasizes that policy solutions cannot rely solely on administrative improvements; instead, they must address deeper structural issues. This paradox illustrates that improvements in collection systems and taxpayer compliance only resolve a small portion of the problem. A narrow tax base, the dominance of micro-informal enterprises, and low voluntary compliance are the primary factors limiting fiscal contributions.

Therefore, more comprehensive policy interventions are needed, including tax base expansion, formalization programs for the informal sector, tax system digitalization, and compliance incentives for tax payers. These structural measures align with the literature, which asserts that PAD optimization can only be achieved through systemic institutional reforms and fiscal policies, not merely through administrative enhancements (Achmad & A'la, 2022; Tao et al., 2025; Walby et al., 2024).

4.4 Interpretation and Integration with Previous Studies

The statistical findings reinforce the importance of synergy between technical administrative performance and structural factors in a decentralized fiscal system. Although Manokwari consistently exceeded its restaurant tax targets, the broader fiscal impact remained limited because of its narrow tax base, low business formalization, and minimal taxpayer compliance. This aligns with findings from many developing countries, where administrative reforms must be complemented by efforts in business formalization, digitalization, and fiscal education to significantly enhance regional revenue (Mohan & Strobl, 2024; Riskarini et al., 2024; Zhang & She, 2024). The results of this study also imply the importance of updating taxpayer databases, strengthening support for MSMEs, and providing compliance incentives to address the fiscal paradox and optimize PAD from restaurant tax. International experiences demonstrate that fiscal decentralization and digitalization can yield significant improvements, but these measures must be aligned with local structural and economic contexts (Tao et al., 2025; Wang & Shimokawa, 2024).

4.5 Data Visualization and Presentation

To clarify the existing trends and relationships, Figure 1 presents a line graph showing the annual movement of restaurant tax effectiveness and contribution in Manokwari from 2019 to 2023.

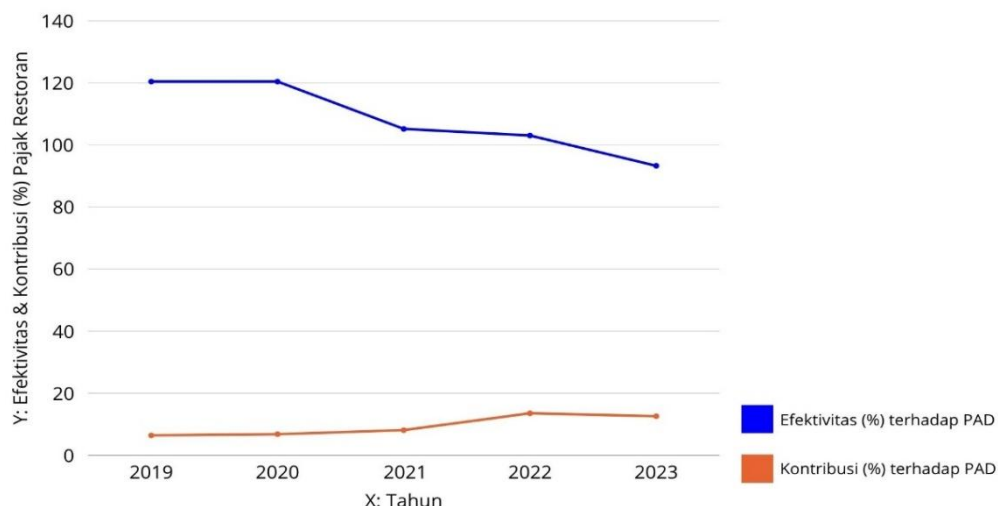


Figure 1. Annual Trend Graph of Restaurant Tax Effectiveness and Contribution to PAD Manokwari (2019–2023)

Source: IBM SPSS 25 Output, 2024

This visualization reinforces the gap between high collection effectiveness and limited fiscal contribution, highlighting the need for multidimensional policy interventions. The graph provides a clear illustration of the development of restaurant tax effectiveness and its contribution to the Regional Own-Source Revenue (PAD) of the Manokwari Regency over the past five years. Two lines in different colors depict the dynamics of fiscal performance: the blue line represents the annual effectiveness of restaurant tax collection, while the orange line shows the proportion of restaurant tax contribution to PAD during the same period. From 2019 to 2023, the effectiveness of restaurant tax collection in Manokwari consistently remained high, always exceeding 90% and surpassing 120% during the first two years. These figures indicate that the actual revenue from restaurant tax generally exceeded the targets set by the local government. However, there is a gradual downward trend in effectiveness from 2021 to 2023, which may reflect emerging challenges in maintaining optimal collection amid shifting local economic conditions.

In contrast, the contribution of restaurant tax to PAD—visualized by the orange line—remains relatively low, ranging from approximately 6% to 14%. Although a slight increase appears in the later years, the contribution remains far below the level of collection effectiveness. The stark difference between the two lines in the graph illustrates the fiscal paradox, where administrative success in tax collection does not automatically translate into substantial increases in regional revenues. This visualization emphasizes that high effectiveness has not been followed by significant growth in restaurant tax contributions to the PAD. This condition strongly indicates the need for further strategic efforts, including expanding the tax base, enhancing voluntary compliance among business actors, and encouraging the growth of the restaurant sector. Thus, the graph serves not only as a data visualization tool but also as a reminder of the importance of the ongoing evaluation of fiscal policies and strategies implemented in the region.

4.6 Interpretation and Integration with Previous Studies

The statistical findings reinforce the importance of synergy between technical administrative performance and structural factors in a decentralized fiscal system. Although Manokwari consistently exceeded its restaurant tax targets, the broader fiscal impact remained limited because of its narrow tax base, low levels of business formalization, and minimal taxpayer compliance. This situation mirrors the findings in many developing countries, where administrative reforms must be complemented by efforts to formalize businesses, digitalize tax systems, and strengthen fiscal education to significantly increase regional revenue (Mohan & Strobl, 2024; Riskarini et al., 2024; Zhang & She, 2024).

4.7 Administrative Effectiveness in Restaurant Tax Collection

This study shows that the effectiveness of restaurant tax collection in Manokwari during the 2019–2023 period consistently exceeded expectations, with an average realization rate of 108.44% (Table 1). These results align with findings from other regions in Indonesia, such as Bandung and Jepara, where administrative reforms and increased taxpayer compliance contributed to high realization rates (Achmad & A'la, 2022; Hidayah & Prakoso, 2022). The high level of effectiveness is not only a result of regular monitoring and targeted taxpayer engagement but also reflects the local government's ability to set realistic and attainable targets for tax collection. However, Manokwari's unique context—an area with a limited economic scale and a restaurant sector dominated by micro-businesses—suggests that exceeding targets may not fully represent the genuine expansion of the tax base. Instead, it may be influenced by conservative target-setting or effective enforcement within a relatively small economic environment (Izati & Saipudin, 2023; Sufi, 2020).

Table 5. Descriptive Statistics of Restaurant Tax and PAD, Manokwari (2019–2023)

Variable	N	Minimum	Maximum	Mean	Standard Deviation
Restaurant Tax (Rp)	5	5.752.658.269	12.281.985.920	9.061.726.582	2.927.204.594,92
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PAD (Rp)	5	84.605.179.537	109.143.330.570	96.412.963.644	10.131.879.651,71
Effectiveness (%)	5	93,25	120,40	108,44	11,80
Contribution (%)	5	6,43	13,54	9,49	3,34

4.8 Regression Analysis and Hypothesis Testing

To strengthen the analysis of the relationship between restaurant tax and PAD, a simple linear regression test was conducted with PAD as the dependent variable and restaurant tax as the independent variable. The model summary shows an R Square value of 0.010, indicating that only 1% of the variation in PAD can be explained by changes in restaurant tax revenue. The regression coefficient (B) was -0.344 (Std. Error = 1.988), with $t = -0.173$, and a significance value of 0.874. These results confirm that the relationship between restaurant tax and PAD is not statistically significant, reinforcing earlier correlation findings.

4.9 Contribution Paradox: Technical Success vs Fiscal Reality

Despite the strong administrative performance in restaurant tax collection, its contribution to the Regional Own-Source Revenue (PAD) in Manokwari remains relatively low, ranging from 6.43%–13.54%. This phenomenon is widely referred to in the literature as a fiscal paradox, in which technical success in tax collection does not automatically translate into significant growth in regional revenue (Fitriani et al., 2022; Lubis & Fitrianingsih, 2022). Several key factors underlie this paradox. One of these is the structural characteristics of the restaurant sector in Manokwari, which is dominated by micro and informal enterprises, thereby limiting the tax base. In addition, voluntary compliance remains a major challenge, as many business actors operate outside the effective regulatory thresholds. Consequently, exceeding collection targets reflects the local government's administrative capability rather than a fundamental shift in the region's economic structure (Mbailo et al., 2022).

4.10 Statistical Evidence and Interpretation

The Pearson correlation analysis results ($r = -0.099$, $p = 0.874$) indicate that fluctuations in restaurant tax revenue have no significant relationship with PAD (Table 2). The regression analysis further confirmed this finding, showing an R Square value of only 0.010, with an insignificant negative regression coefficient ($B = -0.344$, $p = 0.874$). This means that only 1% of the variation in PAD can be explained by restaurant tax revenue, and the direction of influence is negative, although statistically insignificant. It is critical to emphasize the insignificance of these regression results. Substantively, these findings suggest that administrative performance in restaurant tax collection in Manokwari is insufficient to generate a meaningful fiscal impact on PAD in Manokwari. In other words, high administrative effectiveness does not automatically correspond to increased fiscal contributions. This finding is consistent with several studies in other regions of Indonesia, which demonstrate that technical improvements in tax collection—when not accompanied by structural transformation—produce only limited fiscal outcomes (Achmad & A'la, 2022; Hidayah & Prakoso, 2022).

Table 6. Summary of Correlation and Regression Results: Restaurant Tax and Regional Own-Source Revenue (PAD) in Manokwari (2019–2023)

Statistical Test	Value	Description
Pearson Correlation (r)	-0,099	Very weak and negative relationship; not significant
Significance (p)	0,874	Not significant ($p > 0.05$)
R Square (R^2)	0,010	Only 1% of PAD variation explained by restaurant tax
F (ANOVA)	0,030	Very small F-value
ANOVA Significance	0,874	Not significant
Regression Coefficient (B)	-0,344	For each 1-unit increase in restaurant tax, PAD decreases by 0.344 (not significant)
Coefficient Significance	0,874	Not significant ($p > 0.05$)
N	5	Number of yearly observations

Source: Processed Output from IBM SPSS, 2024

Therefore, the nonsignificant regression results strengthen the argument that policy solutions must be structural rather than merely administrative ones. Expanding the tax base, increasing the formalization of restaurant businesses, and strengthening public fiscal literacy are strategic steps that hold greater promise for improving the contribution of restaurant tax to the PAD. These findings reaffirm that while technical administrative success is an essential prerequisite, the long-term fiscal sustainability of a region depends on more comprehensive structural reforms (Refi et al., 2024; Zhang and She, 2024).

4.11 Structural Constraints and Policy Implications

The Manokwari case provides a concrete example of how technical effectiveness in tax collection can coexist with limited fiscal outcomes due to structural constraints. Without efforts to broaden the tax base and support the formalization of micro businesses, even well-executed tax collection procedures will yield only incremental increases in PAD (Erstiawan, 2025; Turcanu, 2022; Walby et al., 2024). The e-tax monitoring system implemented in DKI Jakarta has proven to be effective in enhancing taxpayer compliance and improving transparency in restaurant revenue reporting. A similar model can be adapted for Manokwari, with adjustments made to fit the region's technological capacity and the availability of human resources. Additionally, providing first-year tax incentives for businesses that undergo formalization can serve as an initial step toward gradually expanding the tax base (Riskarini et al. 2024).

4.12 Digitalization and the Future of Local Taxation

Digitalization is widely recognized as an essential component of modern local tax administration. The adoption of e-tax platforms, real-time monitoring, and digital recordkeeping can enhance efficiency and transparency while reducing leakage and improving taxpayer compliance (Turcanu, 2022; Zhang & She, 2024). However, digital tools alone are not a solution. Digitalization must be accompanied by efforts to improve fiscal literacy and provide incentives for formalizing businesses to ensure optimal outcomes (Wang & Shimokawa, 2024).

5. Conclusion

1. The effectiveness of restaurant tax collection in Manokwari is relatively high (average 108.44%) and consistently exceeds the targets set by the local government.
2. The contribution of restaurant tax to Regional Own-Source Revenue (PAD) remains low (average 9.49%), generating a fiscal paradox in which administrative success does not translate into substantial fiscal outcomes.
3. The regression results indicate a non-significant relationship between restaurant tax revenue and PAD (R^2 only 0.010), confirming that PAD optimization cannot be achieved through administrative improvements alone.
4. Structural constraints, such as a narrow tax base, the dominance of micro-informal enterprises, and low voluntary taxpayer compliance, are the primary factors limiting fiscal contributions.
5. Policy recommendations should focus on expanding the tax base, strengthening the formalization of restaurant businesses, integrating digitalization, and implementing fiscal literacy programs to enhance taxpayer compliance and regional fiscal sustainability.

This study concludes that the high effectiveness of restaurant tax collection in Manokwari has not been accompanied by a significant increase in its contribution to the PAD. This finding demonstrates that policy solutions cannot rely solely on administrative aspects but must emphasize structural reforms targeting the tax base, taxpayer compliance, and digital transformation. Accordingly, this study provides empirical insights into regional fiscal literature and offers practical recommendations for policymakers in designing sustainable PAD optimization strategies, particularly in regions with similar economic characteristics.

5.1 Limitations and Future Research

This study has several limitations that must be considered. First, the scope of the research was restricted to Manokwari Regency as a representation of the Eastern Indonesia region. Consequently, the findings cannot be fully generalized to other regions in Indonesia with different economic, demographic and institutional characteristics. Second, the study employs a descriptive quantitative approach relying

solely on secondary data, which limits its ability to capture deeper socioeconomic dynamics, behavioral aspects, and the motivations of restaurant taxpayers at the micro level. Additionally, potential secondary data bias and the unmeasured impact of external factors, such as national regulatory changes, the pandemic, or fluctuations in local tourism activities, represent further limitations that should be addressed in future studies. Third, the variables analyzed in this study are limited to the effectiveness and contribution of restaurant tax to PAD, excluding other relevant external factors such as regulatory frameworks, digitalization levels, and the region's macroeconomic conditions, all of which may significantly influence outcomes.

For future research, it is recommended that scholars expand the geographical and sectoral coverage to provide a more comprehensive understanding of restaurant tax effectiveness and its contribution in various regional contexts. Moreover, integrating qualitative methods, such as in-depth interviews or focus group discussions with restaurant owners, tax officers, and other stakeholders, would help uncover the social, cultural, and psychological factors influencing compliance and tax optimization. Developing analytical models that incorporate additional variables, such as the adoption of digital taxation systems, fiscal incentives, and service sector growth, should be prioritized in subsequent studies. Therefore, the findings of this study are expected to provide more applicable and context-sensitive policy recommendations for local governments in their efforts to enhance sustainable Regional Own-Source Revenue (PAD). The implications of these findings may also serve as a reference for other local governments in Indonesia and even in developing countries in designing data-driven and locally responsive policies to optimize tax revenue from the informal service sector.

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