The Strategy of the Muara Enim Regency Government in Encouraging Business Sector Participation to Increase Regional Revenue of Muara Enim Regency

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Abstract: This study examines the strategies employed by the Muara Enim Regency Government to enhance business sector participation in increasing Locally-Generated Revenue (PAD). Using a qualitative descriptive approach, the research explores the policies, initiatives, and outcomes associated with fostering collaboration between the government and private sector. Key strategies include the provision of fiscal incentives, streamlined licensing through digital platforms, investment promotion, and the alignment of Corporate Social Responsibility (CSR) programs with regional development goals. These initiatives have significantly improved the region's economic potential and contributed to a 20.64% increase in PAD from 2023 to 2024, reflecting the effectiveness of business engagement in local financial growth. Despite these achievements, challenges such as bureaucratic inefficiencies, inadequate infrastructure, and economic volatility persist. Supporting factors include strong government leadership, regulatory simplifications, and active collaboration with businesses, while obstacles like limited human resource capacity and dependency on extractive industries hinder long-term progress. The research highlights the necessity for continuous evaluation, diversification of revenue sources, and the integration of CSR with sustainable development plans to ensure regional economic resilience. This study provides valuable insights into the critical role of business sector participation in enhancing regional revenue and offers recommendations for replicating such strategies in other regions seeking economic self-sufficiency.

Keyword: Local Revenue, Business Sector, Participation.

INTRODUCTION

According to Law Number 23 of 2014 concerning Regional Governance, broad autonomy granted to regencies presents both opportunities and challenges. Opportunities arise for regional governments with adequate natural resources, allowing them to

independently manage their potential. On the other hand, regional governments with insufficient natural resources face significant challenges. Currently, the financial capacity of many regional governments remains heavily reliant on revenue from the central government. As the country's financial situation becomes increasingly constrained and regional autonomy continues to be implemented, every region is required to achieve financial self-reliance by maximizing its own revenue sources. Innovations by regional governments in exploring and developing local potentials as revenue sources are crucial for the success of governance, development, and public service delivery at the regional level. Another regulation influencing regional financial aspects is Law Number 1 of 2022 on Fiscal Relations between the Central and Regional Governments, which revises Law Number 28 of 2009 concerning Regional Taxes and Levies. These two sources of revenue constitute the primary components of locally-generated revenue (PAD). Through fiscal decentralization, regions have been granted the authority to manage their budgets, including determining their own regional taxes and levies.

Dependency on central government assistance must be minimized, and PAD should form the largest source of regional revenue. This requires effective fiscal balance policies between the central and regional governments as a fundamental prerequisite within the national governance system. Such conditions facilitate regions in increasing their PAD. With the approval of regional legislative councils, local governments formulate regional regulations on regional taxes or levies as mandated by Law Number 23 of 2014. The emphasis that PAD must constitute the largest source of revenue for regional autonomy implementation underscores its role as a key indicator of a region's capability to exercise and realize autonomy. Furthermore, PAD reflects a region's independence. As a pure source of regional income, PAD serves as the primary capital for financing governance and regional development. Although PAD may not fully cover all regional expenditures, its proportion relative to total regional revenue indicates the degree of financial independence of a regional government. In addition, Muara Enim Regency is actively striving to increase its regional revenue. Data on the realization of the Regional Revenue and Expenditure Budget (APBD) of Muara Enim Regency for 2020 and 2021 can be seen in the following table:

Table 1. Muara Enim Regency 2020 and 2021 APBD Realization

Uraian	Reff	Anggaran	Realisasi TA. 2021	%	Realisasi 2020
1	2	3	4	5	6
PENDAPATAN DAERAH					
PENDAPATAN ASLI DAERAH (PAD)					
Pajak Daerah	7.4.1.1.a.1)	86.992.000.415,00	83.461.029.231,00	95,94	81.431.392.333,00
Retribusi Daerah	7.4.1.1.a.2)	9.457.466.468,00	7.597.636.861,00	80,33	7.846.509.547,29
Hasil Pengelolaan Kekayaan Daerah yang Dipisahkan	7.4.1.1.a.3)	11.127.305.199,00	11.215.922.234,31	100,80	19.194.249.783,73
Lain-lain PAD yang Sah	7.4.1.1.a.4)	135.303.241.462,00	138.198.194.651,42	102,14	140.052.875.085,95
Jumlah Pendapatan Asli Daerah		242.880.013.544,00	240.472.782.977,73	99,01	248.525.026.749,97
PENDAPATAN TRANSFER					
PENDAPATAN TRANSFER PEMERINTAH PUSAT - DANA PERIMBANGAN					
Dana Transfer Umum - Dana Bagi Hasil (DBH)	7.4.1.1.b.1).a).1	900.572.865.915,00	1.153.649.135.021,00	128,10	790.798.948.310,00
Dana Alokasi Umum	7.4.1.1.b.1).a).2	606.450.888.000,00	606.450.888.000,00	100,00	613.136.927.000,00
Dana Alokasi Khusus - Fisik	7.4.1.1.b.1).a).3	93.353.500.000,00	84.960.801.881,00	91,01	86.538.766.306,00
Dana Alokasi Khusus - Non Fisik	7.4.1.1.b.1).a).4	158.564.874.000,00	147.704.398.144,00	93,15	144.820.250.324,00
Jumlah Pendapatan Transfer - Dana Perimbangan		1.758.942.127.915,00	1.992.765.223.046,00	113,29	1.635.294.891.940,00
PENDAPATAN TRANSFER PEMERINTAH PUSAT - LAINNYA					
Dana Insentif Daerah	7.4.1.1.b.1).b)	7.519.190.000,00	7.519.190.000,00	100,00	0,00
Dana Otonomi Khusus		0,00	0,00	0,00	0,00
Dana Keistimewaan		0,00	0,00	0,00	0,00
Dana Desa	7.4.1.1.b.1).c)	236.322.582.000,00	236.322.582.000,00	100,00	0,00
Jumlah Pendapatan transfer Pemerintah Pusat -Lainnya		243.841.772.000,00	243.841.772.000,00	100,00	0,00
PENDAPATAN TRANSFER ANTAR DAERAH					
Pendapatan Bagi Hasil Pajak	7.4.1.1.b.2).a)	118.355.589.241,00	143.626.139.794,25	121,35	124.492.285.955,00
Bantuan Keuangan	7.4.1.1.b.2).b)	54.017.130.649,00	12.076.644.895,49	22,36	44.127.794.914,08
Jumlah Pendapatan Transfer Antar Daerah		172.372.719.890,00	155.702.784.689,74	90,33	168.620.080.869,08
Total Pendapatan Transfer		2.175.156.619.805,00	2.392.309.779.735,74	109,98	1.803.914.972.809,08
LAIN-LAIN PENDAPATAN DAERAH YANG SAH					
Pendapatan Hibah	7.4.1.1.c.1	34.787.252.000,00	13.020.513.894,00	37,43	113.332.202.116,00
Lain-lain Pendapatan Sesuai dengan Ketentuan Peraturan Perundang-Undangan	7.4.1.1.c.2	89.862.296.902,00	93.635.142.363,49	104,20	294.404.736.214,82
Jumlah Lain-lain Pendapatan Daerah		124.649.548.902,00	106.655.656.257,49	85,56	407.736.938.330,82
JUMLAH PENDAPATAN		2.542.686.182.251,00	2.739.438.218.970,96	107,74	2.460.176.937.889,87
BELANJA					
BELANJA OPERASI					
Belanja Pegawai	7.4.1.2.a.1)	907.329.205.804,00	798.589.168.955,45	88,02	754.378.441.033,00
Belanja Barang dan Jasa	7.4.1.2.a.2)	845.030.212.819,00	717.341.242.809,24	84,89	710.281.604.645,04
Belanja Bunga	7.4.1.2.a.3)	5.000.000.000,00	4.623.908.646,00	92,48	6.158.881.982,97
Belanja Subsidi	7.4.1.2.a.4)	2.143.919.252,00	477.192.500,00	22,26	3.073.440.000,00
Belanja Hibah	7.4.1.2.a.5)	36.073.910.039,00	31.980.505.895,00	88,65	25.676.489.390,00
Belanja Bantuan Sosial	7.4.1.2.a.6)	2.646.000.000,00	2.603.600.000,00	98,40	2.332.800.000,00
Jumlah Belanja Operasi		1.798.223.247.914,00	1.555.615.618.805,69	86,51	1.501.901.657.051,01
BELANJA MODAL					
Belanja Modal Tanah	7.4.1.2.b.1)	12.300.000.000,00	5.180.270.000,00	42,12	5.075.785.000,00
Belanja Modal Peralatan dan Mesin	7.4.1.2.b.2)	103.365.500.969,00	83.807.398.797,00	81,08	121.892.815.720,50
Belanja Modal Gedung dan Bangunan	7.4.1.2.b.3)	113.042.169.271,00	93.439.626.152,00	82,66	75.572.669.553,05
Belanja Modal Jalan, Jaringan, dan Irigasi	7.4.1.2.b.4)	275.849.288.716,00	237.036.945.569,80	85,93	323.497.390.623,05
Belanja Modal Aset Tetap Lainnya	7.4.1.2.b.5)	12.479.686.951,00	12.112.217.836,00	97,06	15.947.510.373,00
Jumlah Belanja Modal		517.036.645.907,00	431.576.458.354,80	83,47	541.986.171.269,60
BELANJA TIDAK TERDUGA					
Belanja Tidak Terduga	7.4.1.2.c	19.000.000.000,00	7.533.312.919,00	39,65	36.636.366.353,18
Jumlah Belanja Tidak Terduga		19.000.000.000,00	7.533.312.919,00	39,65	36.636.366.353,18

The economic conditions in Kabupaten Muara Enim have evolved significantly over the years, primarily driven by the exploitation of natural resources such as coal, palm oil, and other minerals. However, despite its abundant natural resources, the region faces significant challenges in fostering sustainable economic growth and enhancing the welfare of its population. The urgency to increase Pendapatan Asli Daerah (PAD) in Kabupaten Muara Enim is critical for the region's long-term development and economic stability. Muara Enim, located in South Sumatra, is known for its rich natural resource base, particularly in the mining sector. The revenue generated from coal mining and palm oil plantations has historically been the backbone of the local economy.

Based on the 2021 Financial Report of Muara Enim Regency, the region's economic structure was still predominantly driven by the primary sector (oil and gas), contributing 64.18% of the total Gross Regional Domestic Product (GRDP). Within the primary sector, mining and quarrying accounted for 54.78%, while agriculture, forestry, and fisheries contributed 9.40%. The economic growth rate in Muara Enim Regency reached 5.75% (including oil and gas) in 2021, a significant improvement compared to 2020's recorded growth of 0.03%. The highest growth was observed in the mining and quarrying sector. In contrast, the construction and water supply sectors, including waste management, waste treatment, and recycling, experienced contractions of -0.17% and -1.59%, respectively, in 2021. The tax collection system in Muara Enim faces several issues, such as inaccuracies in taxpayer/retribution data, tax assessment, billing amounts, and unmet tax targets. These challenges are exacerbated by the well-known inefficiencies in government institutions and bureaucracies, characterized by rigid regulations, complex and hierarchical structures, lengthy procedures, and corrupt practices among officials. Such conditions make it difficult for governmental institutions and bureaucracies to operate dynamically.

To address these challenges, Muara Enim Regency implemented Regional Regulation Number 3 of 2010 concerning the Role of Enterprises, Communities, and Foreign Entities in Supporting Development within the Regency. This regulation emphasizes that development in Muara Enim must be carried out continuously and sustainably, which requires substantial funding. In addition to relying on the Regional Revenue and Expenditure Budget (APBD), financing must also come from the active participation and contributions of enterprises, communities, and foreign entities.

Table 2. Summary of Company Participation Over 5 Years

No	Nama Perusahaan	Tahun					Keterangan
		2019	2020	2021	2022	2023	
1	PT. Tanjung Enim Lestari	311.842.894	363.202.100	335.740.794	85.322.142	NIHIL	
2	PT. Menambang Muara Enim	400.000.000	200.000.000	200.000.000	200.000.000	200.000.000	
3	PT. Bara Anugrah Sejahtera	-	50.000.000	200.000.000	350.000.000	NIHIL	
4	PT. Sumatera Prima Fibreboard	88.573.417	123.047.795	108.535.014	42.258.450	21.839.420	
5	PT. Bukit Asam	21.200.000	21.200.000	21.200.000 (tidak berupa uang tunai)	21.200.000 (tidak berupa uang tunai)	21.200.000 (tidak berupa uang tunai)	Untuk peran serta PT. Bukit Asam Tetap membayar setiap tahun sebesar 21.200.000,- Namun untuk tahun 2021-2025 sumbangan peran serta di tampung di rekening PT. Bukit Asam untuk pembangunan Turap dipinggir Sungai Enim dari Jembatan Enim I s/d Jembatan Enim II dan di tahun 2026 kembali di setor ke Rekening Pemerintah Kabupaten Muara Enim
6	PT. Mippogen	-	25.000.000	25.000.000	25.000.000	25.000.000	
7	PT. Berlian Inti Mekar	-	-	5.000.000	-	5.000.000	
8	PT. Royal Tama Mulia Kencana	-	-	-	200.000.000	200.000.000	
9	PT. Bumi Sawindo Permai	35.000.000	-	-	-	-	
10	PT. Putra Perkasa Abadi	-	-	-	-	15.570.000	
11	PT. Sawit Mulya Raya	-	-	-	-	20.000.000	
12	PT. Duta Bara Utama	-	-	-	-	75.000.000	
13	PT. Dizamatra Powerindo	-	-	-	-	130.000.000	
14	PT. Sele Raya Belida	-	-	-	-	100.00.000	
	Jumlah	22.035.416311	21.961.249.895	22.074.275.808	22.102.580.592	21.992.409.420	

Based on the data above, it is evident that the nominal contributions from companies as a form of participation in development efforts in Muara Enim Regency have fluctuated over the past five years. For example, PT Bukit Asam consistently contributes IDR 21,200,000 annually. However, from 2021 to 2025, their contributions have been allocated to a designated account for the construction of retaining walls along the banks of the Enim River, from Enim Bridge I to Enim Bridge II. Starting in 2026, the contributions will be deposited back into the Muara Enim Regency Government's account. This show that the mining industry in the region contributed significantly to local revenue, but also led to an over-reliance on a few sectors. This dependency exposes Muara Enim's economy to the volatility of global commodity prices, making it vulnerable to economic shocks. The challenge is to diversify the regional economy beyond natural resources, shifting towards more sustainable and resilient economic models. While mining and palm oil industries are important contributors to the local economy, they often fail to generate sufficient long-term, inclusive economic development. The challenge of reducing economic dependency on these sectors has led local policymakers to focus on enhancing other forms of revenue generation, especially PAD (Regional Original Income). A report by Muara Enim's local government indicated that PAD in the region has been limited, largely relying on taxes from the mining and plantation sectors. The local government's fiscal capacity is constrained by low tax compliance, inefficient revenue collection mechanisms, and a lack of regional economic diversification.

The importance of increasing PAD cannot be overstated, as it is fundamental to ensuring the fiscal independence of the region. PAD provides the local government with the financial autonomy to finance its development programs without being overly dependent on the central government's transfers. For Muara Enim, where the mining sector has been a major revenue contributor, PAD enhancement is essential to address the risks posed by fluctuating commodity prices and the depletion of local resources. Expanding PAD can also stimulate local economic activities in sectors such as agriculture, tourism, and small-scale industries, thereby fostering economic diversification.Increasing PAD in Muara Enim is particularly urgent for infrastructure development. Regional infrastructure such as roads, public transportation, and energy systems are often underfunded, leading to slower economic growth and reduced quality of life. Local revenue generation through PAD could support these essential projects, ensuring better access to services and infrastructure for the population. Moreover, improved infrastructure can attract investments in other sectors, thereby boosting the local economy. Another key aspect is the potential for improving public services through increased PAD. Public spending on health, education, and social welfare programs is heavily dependent on local revenue. In Muara Enim, where there are still significant challenges in poverty reduction and education access, enhancing PAD could provide the necessary funding for better public services. Moreover, PAD can empower local governments to implement innovative programs in sectors like environmental sustainability, rural development, and local entrepreneurship, ensuring that economic growth benefits all segments of society.

To increase PAD, Kabupaten Muara Enim must focus on modernizing its revenue collection systems, improving tax compliance, and exploring new revenue sources. A critical step towards this goal is implementing digital systems for tax collection and revenue management. E-government initiatives in other regions have proven effective in increasing transparency, reducing corruption, and improving taxpayer compliance. By adopting such systems, Muara Enim can optimize its PAD collection processes, ensuring that revenue generation is both efficient and equitable. Furthermore, Muara Enim must prioritize economic diversification. Diversifying away from resource dependency is essential for long-term sustainability. Promoting local entrepreneurship, expanding the agricultural sector, and developing the tourism industry could provide alternative sources of revenue. For instance,

Muara Enim has potential for eco-tourism, given its natural beauty and biodiversity. Encouraging small businesses and start-ups in sectors like handicrafts, food processing, and agriculture can create jobs and stimulate local demand.

Businesses play a crucial role in supporting and enhancing Local Own-Source Revenue (Pendapatan Asli Daerah, PAD) through various mechanisms such as :

1. **Taxes and Retributions :** Corporate taxes and user charges (retributions) significantly contribute to PAD. Compliance and efficiency in tax collection systems ensure that businesses fulfill their fiscal obligations, directly improving local government revenues (Hardeck et al., 2024). Effective taxation policies also encourage transparency and reduce tax avoidance behaviors, fostering sustainable development.

2. **Investments :** Investments by private enterprises catalyze economic activities and infrastructure development. Such investments not only create employment but also increase local economic transactions, ultimately leading to higher tax revenues and increased local government fiscal capacity.

3. **Corporate Social Responsibility :** CSR initiatives align corporate strategies with local development goals. Businesses integrating tax disclosures into CSR reporting highlight their role as socially responsible entities, demonstrating their contribution to sustainable growth and fiscal accountability (Hardeck et al., 2024). CSR projects in education, healthcare, and infrastructure development complement government programs and reduce public expenditure burdens.

The issue of low participation by businesses in enhancing local revenue (PAD) presents a significant challenge to regional development. This problem is particularly relevant in regions where businesses play a critical role in supporting public revenue through taxes, levies, and other contributions. However, several barriers hinder effective engagement of the private sector in this process, including inadequate policy frameworks, lack of transparency, and limited incentives for businesses to actively participate. A primary factor contributing to this challenge is the misalignment between business objectives and government strategies. Many businesses perceive local government policies as overly bureaucratic or inconsistent, discouraging their willingness to comply with tax obligations or participate in developmental programs like Corporate Social Responsibility (CSR). Studies indicate that fostering trust and collaboration between public institutions and the private sector is essential for overcoming these barriers. Another critical challenge is the absence of tailored strategies to attract and retain business investment. Effective economic development requires creating a value proposition that aligns with the region's strengths and opportunities, such as enhancing infrastructure, ensuring a skilled workforce, and streamlining regulations (McKinsey & Company, 2023). Without such efforts, businesses may opt to invest in regions with more business-friendly environments. Moreover, systemic inequities and a lack of inclusive economic policies further exacerbate the issue. Smaller municipalities or rural regions often face constraints like limited talent pools, smaller public budgets, and underdeveloped infrastructure. These factors reduce their attractiveness to businesses, especially those looking for long-term investment opportunities (Briggs, X., Takeuchi, M., & Parilla, J., 2024).

To address these challenges, governments must adopt strategies that effectively incentivize businesses. This includes simplifying tax systems, providing tax breaks or subsidies for compliant businesses, and establishing public-private partnerships to foster collaborative development initiatives. Enhancing transparency and accountability in the management of public resources is also crucial to building trust among private sector stakeholders. Additionally, leveraging technology to modernize tax collection systems and improve communication with businesses can streamline processes and boost compliance. Regions like Tennessee in the United States have successfully implemented large-scale

investment initiatives by aligning government incentives with business interests, creating a mutually beneficial ecosystem (McKinsey.com, 2022).

In conclusion, addressing the low participation of businesses in boosting PAD requires a multifaceted approach that integrates clear policy frameworks, collaborative governance, and innovative economic strategies. Governments must focus on creating an enabling environment that aligns the interests of businesses with broader regional development goals. Therefore, through this research, the researcher aims to examine the strategies implemented by the local government, particularly in Muara Enim Regency, to encourage business sector participation in managing local revenue (PAD).

METHOD

This study employs a qualitative descriptive approach to explore the strategies and policies implemented by the Muara Enim Regency Government to enhance business sector participation in regional revenue generation. Moleong (2014: 6) explains that qualitative research is a type of research aimed at understanding phenomena experienced by research subjects, such as perceptions, motivations, actions, behaviors, and so on, in a holistic manner by describing them in words and language within a natural context while utilizing various natural methods. Qualitative research is open-ended, meaning the research problems presented are flexible and subject to change in accordance with the processes that occur in the field, allowing the research focus to adapt to the evolving research problems. Moleong defines qualitative methodology as a research procedure that produces descriptive data in the form of written or spoken information from observed individuals and behaviors.

The research was conducted in Muara Enim Regency, especially at Regional Revenue Agency of Muara Enim Regency, chosen for its economic potential and active efforts in local revenue optimization. The subjects of this study include:

1. The Head of the Regional Revenue Agency (BAPENDA) of Muara Enim Regency;
2. The Acting Secretary of the Regional Revenue Agency (BAPENDA) of Muara Enim Regency;
3. The Heads of Divisions within the Regional Revenue Agency (BAPENDA) of Muara Enim Regency;
4. The Subdivision Heads within the Regional Revenue Agency (BAPENDA) of Muara Enim Regency;
5. Employees of the Regional Revenue Agency (BAPENDA) of Muara Enim Regency;
6. Business Entities in Muara Enim Regency;
7. Residents of Muara Enim Regency; and
8. Foreign parties participating in development efforts in Muara Enim Regency as cross-check informants.

In this study, as stated by Sugiyono (2018: 193), qualitative research employs data collection techniques such as:

- In-depth Interviews: Structured and semi-structured interviews were conducted with government officials and business representatives to identify strategies, challenges, and expectations related to increasing regional revenue. This method allows for obtaining detailed insights and uncovering underlying issues
- Field Observations: Direct observations of policy implementation and interactions between government and business actors provided contextual evidence and practical examples of strategies in action.
- Document Analysis: Key documents, including government policies, regulations, and performance reports, were analyzed to understand the framework and outcomes of strategies aimed at increasing regional revenue.

The data analysis technique employed in this study is qualitative data analysis. According to Miles et al. (2014), qualitative data analysis involves three concurrent activities. These activities include data condensation, data display, and conclusion drawing/verification.

RESULTS AND DISCUSSION
Literature Review

To avoid duplication of existing research and to provide a comparative basis, it is essential to present relevant previous studies closely related to the dissertation theme, namely The Strategy of the Muara Enim Regency Government in Encouraging Business Sector Participation to Increase Regional Own-Source Revenue (PAD). The studies reviewed offer insights and serve as critical references to identify gaps and build upon existing knowledge.

Federico Jensen and Lindsay Whitfield (2022) explored participation in global apparel supply chains through green industrialization strategies. Their research highlighted the challenges faced by low-income countries in deriving significant benefits from global supply chains due to market power imbalances. This study provides a foundation for understanding how environmental improvements, through eco-efficiency and circular industrial strategies, can drive value creation. These insights are relevant to the context of local economic strategies in Muara Enim, emphasizing the importance of integrating sustainability in business participation policies to foster economic growth.

Nafida Arumdani and Arimurti Kriswibowo (2022) examined community participation in managing Village-Owned Enterprises (BUMDes) in Dadapan Village, Pringkuku Subdistrict, Pacitan. Their findings underline the critical role of participatory management in empowering local communities and improving economic welfare. This study demonstrates the importance of government and community collaboration in resource optimization, a principle that resonates with efforts to enhance private sector participation in local revenue generation in Muara Enim.

Hermansyah (2019) reviewed the concept of social participation in regional development, emphasizing its pivotal role in all stages of the development process. This research underscores the transition from viewing the community as mere beneficiaries to active stakeholders in policy and project cycles. For Muara Enim, this perspective underscores the necessity of engaging businesses not only as contributors but as partners in regional development strategies, aligning their objectives with public goals to strengthen outcomes.

Zulfida and L. Lindawati (2019) focused on the impact of participatory rural empowerment programs on household incomes in Bandung Regency. Using a regression model, they demonstrated that participation in empowerment institutions significantly influences household income, with factors such as education and age playing a role. Their findings are particularly relevant to Muara Enim's strategy, as they highlight how tailored economic initiatives that align with local needs can enhance participation and improve outcomes for all stakeholders.

Finally, Vivien Lowndes, Lawrence Pratchett, and Gerry Stoker (2006) introduced the CLEAR framework to diagnose and address deficiencies in official participation schemes. The framework identifies key enablers for effective participation, including access to resources, fostering a sense of belonging, leveraging community networks, and ensuring responsiveness. This diagnostic tool provides practical insights for designing effective participation strategies, offering a valuable approach for the Muara Enim government to refine its policies and address barriers to business engagement.

These studies collectively highlight the multi-faceted nature of participation in regional development and revenue generation. By integrating lessons on sustainability, participatory management, and empowerment frameworks, the Muara Enim Regency Government can formulate innovative strategies to enhance private sector involvement in

increasing regional own-source revenue. This approach not only optimizes local economic potential but also ensures alignment with broader development goals, paving the way for sustainable growth.

Strategies of the Muara Enim Regency Government in Encouraging Business Sector Participation

Based on research findings, the Muara Enim Regency Government has implemented various strategic approaches to enhance business sector participation in increasing Locally-Generated Revenue (PAD). These efforts focus on cultivating a conducive ecosystem to attract investment and foster collaboration between the local government and private sector, ensuring sustainable economic growth and regional development.

One key initiative involves fiscal incentives and streamlined licensing processes, where tax reductions and exemptions are offered to investors in priority sectors such as agriculture, mining, and renewable energy. These measures aim to lower financial barriers and encourage businesses to operate in the region. Additionally, the government has introduced a digitalized, integrated licensing system, SICERDAS, to enhance accessibility and transparency in regulatory compliance, reflecting global best practices in e-governance. Another critical approach is investment promotion and public-private partnerships (PPPs). The government actively promotes the region's economic potential through business forums, trade fairs, and marketing campaigns. For instance, the "Forum **CSR-PKBL**" serves as a platform for engagement between government and investors. The government has also emphasized strengthening corporate social responsibility (CSR) initiatives to align private sector contributions with local development goals. Businesses, particularly in the mining and plantation sectors, are encouraged to allocate profits toward CSR programs focusing on education, health, and infrastructure development. (Sulistyowati et al., 2022). Lastly, the government has tailored taxation policies and sectoral focus to balance revenue optimization and business growth. Progressive tax schemes incentivize compliance while supporting small and medium enterprises (SMEs). Key sectors, such as mining and agribusiness, receive specific attention; the former contributes significantly to PAD through land and building taxes (PBB) and royalties, while the latter benefits from reduced licensing fees to foster innovation and sustainability.

The comprehensive strategies employed by the Muara Enim Regency Government—integrating fiscal incentives, licensing reforms, investment promotion, CSR, and tailored taxation—demonstrate an advanced framework for fostering private sector engagement and enhancing regional revenue. However, continuous assessment and refinement of these initiatives remain essential to ensure alignment with long-term development objectives and maximize their impact.

Supporting and Inhibiting Factors in the Implementation of Strategies

Despite the critical role of the business sector in enhancing Locally-Generated Revenue (PAD) and the numerous policies implemented by the government to stimulate its participation, the success of these initiatives is inevitably influenced by various driving and inhibiting factors. These factors emerge across multiple sectors during the implementation process, ultimately shaping the sustainability and overall success of the policies.

The key drivers of business sector participation in PAD enhancement include several aspects. First, active involvement of local government has proven pivotal. The government's leadership in fostering collaborations, hosting investment forums, and promoting Muara Enim as an attractive investment destination has built trust and aligned private interests with public policies. Regular dialogue between business representatives and government officials has strengthened participatory governance, a model also successful in Surabaya, where public-private partnerships have flourished (Priambodo & Widiyarta, 2022). Second,

regulatory support and simplification, such as the adoption of integrated digital licensing platforms, has reduced bureaucratic barriers, enabling businesses to operate more efficiently. This initiative aligns with national digital transformation priorities and mirrors successes in Banyuwangi, where streamlined regulations boosted investment (Maulana et al., 2020). Third, good relationships with the business sector have further facilitated policy implementation. Collaborative efforts, such as "Forum **CSR-PKBL"**, provide a platform for businesses to express concerns and contribute to policy-making. This approach resembles the successful government-business partnerships in Yogyakarta that have significantly increased regional revenue (Fridayani & Chiang, 2022).

Conversely, the challenges to fostering business sector participation are equally significant. Complex bureaucratic processes remain a barrier, as overlapping regulations and lengthy procedures discourage participation. Such inefficiencies, hinder investment growth despite efforts to simplify regulations. Additionally, insufficient infrastructure and facilities pose another major obstacle. Limited transportation networks, industrial parks, and utilities reduce the region's competitiveness. Furthermore, economic uncertainty and market instability stemming from fluctuating commodity prices and broader economic challenges deter business investments for resource-dependent regions like Muara Enim. Finally, limited human resource capacity within local government agencies and businesses restricts effective strategy implementation. The lack of expertise in digital transformation and public-private partnership management highlights the need for capacity-building programs.

The Muara Enim Regency Government's efforts to encourage business sector participation reflect a complex interplay of enabling and constraining factors. While active government engagement, regulatory improvements, and collaborative relationships with businesses have driven progress, challenges such as bureaucratic inefficiencies, infrastructure inadequacies, and economic volatility continue to hinder sustained development. Addressing these issues through targeted investments in infrastructure, capacity-building initiatives, and economic resilience measures will be crucial to ensuring long-term success and maximizing the contributions of the business sector to regional revenue growth.

The Impact of Business Sector Participation on Regional Revenue

The involvement of the business sector plays a pivotal role in bolstering regional revenue (Pendapatan Asli Daerah/PAD) in Muara Enim Regency. By examining contributions in the form of taxes, levies, and Corporate Social Responsibility (CSR) initiatives, the alignment between business participation and PAD growth can be effectively assessed. This analysis highlights the measurable impacts of business activities and their significance in regional revenue enhancement.

Tax revenues from businesses are a major component of PAD. In Muara Enim, sectors such as mining and plantations dominate the economic landscape, contributing significantly to local taxes like property taxes (PBB), business permits, and income taxes. For instance, mining sector taxes form a substantial share of PAD, underscoring the regency's dependence on natural resource-based industries, where in this case mining revenue become a crucial contributor to regional income. This is also reinforced by the statement of Mr. Feri Sinovel, S.E., the Head of the Regional Revenue Agency of Muara Enim Regency, who stated that:

> *"In Muara Enim, the economic structure is heavily influenced by sectors like mining and plantations. These industries play a pivotal role in driving the local economy. Specifically, the mining sector stands out as a significant contributor to the region's revenue. The taxes collected from mining operations, such as property taxes (PBB), business permits, and income taxes, form a substantial portion of our locally generated revenue, or PAD (Pendapatan Asli Daerah).The mining sector is absolutely vital to our financial framework. It represents one of the primary sources of income*

for the regency, reflecting our reliance on natural resource-based industries. This dependence underscores the importance of the mining sector in supporting regional development and public services. Without the revenue from mining, the local government would face significant challenges in maintaining its fiscal health"

Additionally, levies and retributions provide an essential revenue stream, with public service fees such as market charges and licensing fees playing a key role. The adoption of digital payment systems in Muara Enim has enhanced collection efficiency, reducing revenue leakages and improving compliance, akin to initiatives in Surabaya that have increased transparency and accountability in retribution collection. Moreover, CSR contributions by businesses have significantly supported community development projects in Muara Enim, including the construction of schools, healthcare facilities, and infrastructure. These initiatives have proven instrumental in addressing social and economic disparities which will have directly benefited underserved communities. However, the extent of alignment between increased business participation and PAD growth reveals both achievements and challenges.

On the positive side, there is a strong correlation between growing business activities and PAD growth. The Original Regional Revenue (PAD) of Muara Enim Regency experienced a significant increase of 20.64%, from IDR 249 billion in 2023 to IDR 301 billion in 2024. This growth reflects the government's successful strategies in encouraging business sector participation and improving local financial management efficiency.
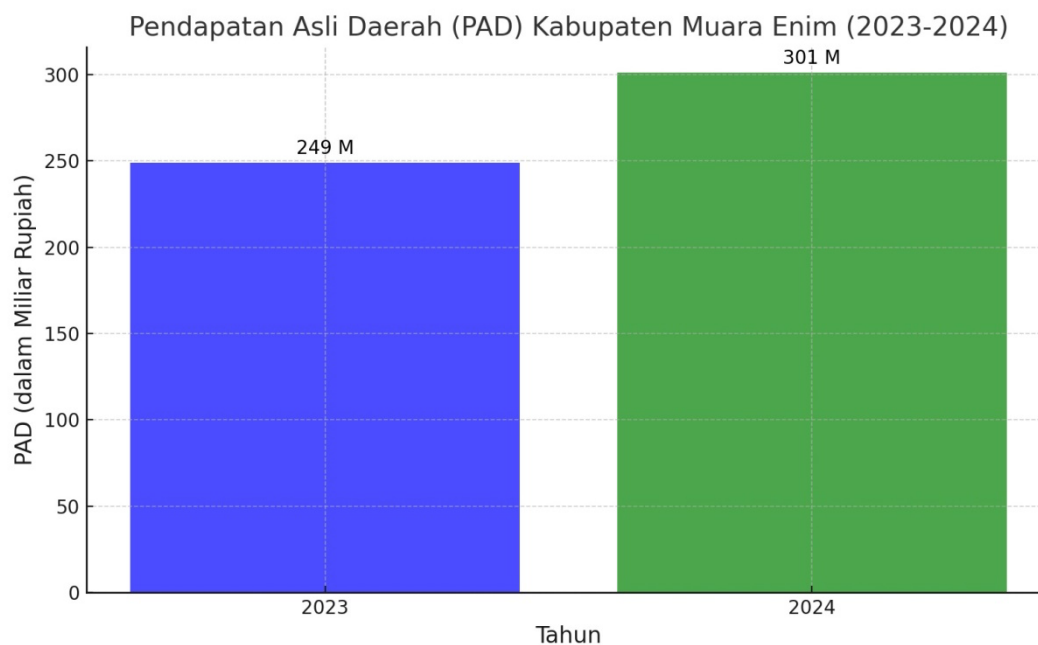

Image 1. Muara Enim Regency PAD Growth

Expanded operations and investments result in higher tax revenues and retributions, as evidenced by Muara Enim's economic strategies such as tax incentives and streamlined licensing processes. These measures reflect similar successes in Banyuwangi, where fiscal incentives have substantially boosted local revenue (Maulana et al., 2020). Nonetheless, challenges persist, particularly in ensuring sustainable growth. Economic volatility, especially in sectors reliant on commodity prices, creates revenue fluctuations, while the heavy dependence on extractive industries raises concerns about the finite nature of natural resources, which underscore the need to diversify revenue sources to mitigate such risks

The effectiveness of business participation in Muara Enim's PAD growth also warrants evaluation. Although digital systems and streamlined regulations have improved revenue collection efficiency, gaps remain in enforcing tax and levy compliance.

Strengthening enforcement mechanisms and conducting regular audits are necessary steps. For example, stricter enforcement in Yogyakarta has successfully increased compliance rates and regional revenue (Fridayani & Chiang, 2022). Furthermore, the sustainability and long-term impact of business contributions must be prioritized. Encouraging businesses to diversify their efforts, particularly through sustainable CSR initiatives, is essential. Integrating CSR programs with regional development plans, can serves as a valuable plan for achieving this balance.

In conclusion, the business sector's contributions to PAD in Muara Enim Regency—encompassing taxes, levies, and CSR initiatives—are undeniably significant. While the positive correlation between business participation and PAD growth is evident, challenges such as revenue volatility and sustainability remain. Addressing these issues through stronger enforcement, diversification of revenue sources, and the integration of CSR with regional priorities will be crucial in ensuring that business participation translates into sustainable, long-term benefits for the region.

CONCLUSION

The findings of this research highlight the pivotal role of the business sector in enhancing the Locally-Generated Revenue (Pendapatan Asli Daerah, PAD) of Muara Enim Regency. The active participation of businesses, particularly in dominant sectors such as mining, plantations, and renewable energy, has significantly contributed to regional economic stability and independence. Through tax revenues, levies, and Corporate Social Responsibility (CSR) initiatives, the business sector has become a critical driver of regional development.

The Muara Enim Regency Government has implemented commendable strategies to foster this participation, including fiscal incentives, streamlined licensing processes, public-private partnerships, and CSR facilitation. These efforts have aligned private sector contributions with regional priorities, resulting in measurable improvements such as a 20.64% increase in PAD from 2023 to 2024. However, challenges such as bureaucratic inefficiencies, insufficient infrastructure, economic volatility, and heavy reliance on extractive industries persist, posing risks to sustainable growth. It is evident that while the government's initiatives have successfully stimulated business involvement, continuous assessment and strategic refinement are required to ensure their alignment with long-term developmental objectives. Without addressing systemic barriers and diversifying revenue sources, the reliance on finite resources could undermine the region's economic resilience.

To enhance the sustainability and impact of business sector participation, the Muara Enim Regency Government should consider the following recommendations:

1. **Diversify Revenue Sources :** To reduce dependence on extractive industries, the government should encourage investment in diverse sectors such as renewable energy, agribusiness, and tourism. This approach will mitigate the risks associated with fluctuating commodity prices and finite natural resources, ensuring a more balanced and resilient economic base.
2. **Strengthen Infrastructure Development :** Investment in critical infrastructure such as transportation networks, industrial parks, and utilities is essential to enhance the region's attractiveness to investors. Public-private partnerships can be leveraged to accelerate these developments, drawing lessons from successful models implemented in regions like Batam and Surabaya.
3. **Enhance Regulatory Efficiency :** While digital licensing systems have improved transparency, further efforts are required to simplify overlapping regulations and eliminate bureaucratic inefficiencies. Comprehensive capacity-building programs for local government agencies will ensure effective implementation and management of these reforms.

4. **Integrate CSR with Regional Development Goals :** The government should establish clear guidelines and incentives to align CSR initiatives with regional priorities in education, healthcare, and infrastructure. Adopting a collaborative model, similar to the Bandung approach, will maximize the impact of CSR contributions on long-term community development.
5. **Promote Economic Resilience through Innovation :** Support for small and medium enterprises (SMEs) through progressive tax schemes and innovation grants can stimulate entrepreneurship and economic diversification. Additionally, partnerships with academic institutions and industry stakeholders should be encouraged to foster research and development in priority sectors.
6. **Strengthen Enforcement and Compliance Mechanisms :** Regular audits and stricter enforcement of tax and levy compliance will address revenue leakages and improve collection efficiency. This can be complemented by public awareness campaigns to enhance understanding of tax obligations and their role in regional development.

By adopting these policy measures, the Muara Enim Regency Government can build on its achievements, address existing challenges, and ensure the sustainable contribution of the business sector to regional revenue growth and economic development. These efforts will not only bolster the regency's fiscal health but also create a more inclusive and resilient economic framework for future generations.

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