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# The effectiveness of market service fee collection management at Nanggalo Market in increasing local revenue (PAD) for Padang City

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## ABSTRACT

The aims of this study were to determine the effectiveness of market service fee collection management at Nanggalo Market in increasing the local revenue of Padang City, to identify obstacles, and to develop plans to improve performance All 12 traders, the head of the Nanggalo Market Technical Implementation Unit, fee collectors, and employees of the Padang City Trade Office were used as informants. Interviews, field observations, and document studies were used to collect the data. The data validity was tested using triangulation techniques and data sources. The data analysis used the interactive model of Miles, Huberman, and Saldana, which included data presentation, conclusion drawing, and data reduction. Although the target was achieved, the QRIS e-retribution system had a high level of merchant compliance. There are issues with centralistic planning, labor shortages, inadequate telecommunications infrastructure, lack of transparency, and lack of digital literacy. Therefore, even though the target was achieved, the retribution management of the Nanggalo Market is still not optimal overall. Therefore, a participatory forum and the improvement of officers are needed.

**Keywords:** Management Effectiveness, Market Service Fees, Local Revenue, E-Fees, Nanggalo Market.

## 1. INTRODUCTION

As a country with fiscal decentralization, Indonesia allows local governments to manage its funds independently. Under this policy, regions must have the capacity to finance development and public services, according to the needs of their communities. Local Own-Source Revenue (PAD) is an important tool that demonstrates fiscal independence. The ability of regions to finance routine expenditures and development is demonstrated by significant contributions to PAD. Hence, a strong PAD enables local governments to formulate development policies in line with local needs. Therefore, a high PAD indicates good institutional capacity and governance in addition to financial aspects.

PAD revenue comes from the issuing of permits, fees, and management of regional assets. Among these components, regional levies are important, especially in terms of providing public services. Regional levies are charges imposed by regional governments on the community in return for the services rendered. One type of compensation that may be imposed is compensation for market services, given the historical function of markets as centers for the distribution of basic necessities and spaces for community economic activity. According to Aryani and Windyani (2025), market service fees can be a significant source of revenue if managed in a transparent, effective, and accountable manner.

According to Law Number 28 of 2009 concerning Regional Taxes and Levies, the object of market service levies is the provision of traditional or simple market facilities, such as courtyards, stalls, and kiosks managed by local governments and specifically provided to traders (Indonesia, 2009). This law also regulates the mechanisms for the collection, tariff setting, and management of local levies, including market service levies. The mechanisms for planning, implementation, administration, reporting, accountability, and supervision of local finances are regulated by Government Regulation No. 12 of 2019, concerning Local Financial Management (Indonesia, 2019). This includes management of local levies. The Minister of Home Affairs Regulation No. 77 of 2020 concerning Technical Guidelines for Local Financial Management provides operational standards for the management of levies from determination and collection to violations.

The contribution of Local Own-Source Revenue (PAD) in many regions of Indonesia is still relatively low compared to transfer funds from the central government, even though fiscal decentralization policies have been implemented for more than 20 years. This shows that many regions are highly dependent on fiscal resources, and PAD contributes only a small amount to regional revenue (Al Adawiah et al, 2022). The contribution of fees to PAD in other regions also varies according to data from the Ministry of Finance. In West Sumatra Province, in 2023, the PAD was recorded at Rp 2.78 trillion, with a smaller contribution from local fees, amounting to Rp 16.04 billion (Badan Pusat Statistik Provinsi Sumatera Barat, 2022). These data reflect similar challenges in increasing the contribution of levies to PAD, particularly in traditional markets.

In the current digital era, digital transformation is crucial for modernizing market revenue management through the implementation of an e-revenue system (Halim, 2022). The e-revenue system improves revenue collection, and strengthens transparency and accountability. Reducing the possibility of leakage, speeding up the deposit process to the RKUD, and providing real-time data for decision-making are the benefits of using this system. The successful implementation of e-taxes is highly dependent on the readiness of technological infrastructure, capabilities of management staff, digital literacy of traders, and institutional commitment to ongoing socialization and assistance. Therefore, this study aims to determine the effectiveness of market service fee revenue management at the Nanggalo Market in Padang City and its impact on regional revenue.

## 2. METHOD

It utilizes a qualitative methodology. The information gathered in this study was obtained based on the criteria relevant to the research objectives. Primary and secondary data were used in this study. Primary data were obtained from field notes, interviews, and observations conducted with selected informants. These data consisted of stories, opinions, perceptions, experiences, and explanations from informants about market retribution management (Hamdillah, 2023). According to Handini (2024), documents, archives, laws and regulations, financial reports, and other documents fall under this category. Secondary sources include regional regulations on regional retribution, reports on the realization of Padang City's own-source revenue, and internal policies on market management.

The data for this study were collected through interviews, field observations, and documentary research. Interviews were conducted privately and were recorded directly. Interactions between officers and traders, recording systems, compensation withdrawal mechanisms, and general market conditions were among the points of interest. To analyze the data for this study, the interactive model developed by Fajri (2024) was used. Three main elements form this model: data reduction, data presentation, and drawing or verifying conclusions. These three components were performed cyclically and consistently throughout the study period.

The reduced data were collected by sorting, simplifying, and organizing the data collected from observations, interviews, and documentation into a more structured form (Kohar et al., 2025). Direct quotes, descriptive narratives, matrices, and thematic summaries were some of the formats used to present the data. To verify and draw conclusions, the main findings from the data were formulated, and cross-validation was performed between various data sources. During the analysis, data obtained from observations, documents, and interviews were evaluated for a sense of validity.

## 3. RESULT AND DISCUSSION

### 3.1 Result

#### 3.1.1 Potential and Realization of Retribution Revenue

With the current data collected by Nanggalo Market Management from the January 2025 levy realization, 59 active merchants on the 1st floor of Nanggalo Market receive a monthly salary of IDR 5,463,750. It is assumed that all vendors pay their salaries consistently every month throughout the year, and the projected annual salary for the first floor of the Nanggalo Market is estimated to reach IDR 65,565,000, which is a significant contribution. The achievement rate of the retribution revenue target in the Nanggalo Market shows consistent and positive performance. According to information provided by the retribution collection officer, the monthly target is always achieved with a stable realization of IDR 5,463,750. This consistency shows that the retribution collection system in Nanggalo Market runs effectively, where the level of merchant compliance is relatively high and there are no violations.

While the share of revenue generated by the Nanggalo Market is relatively small, it still holds strategic value within the broader context of regional revenue collection. While the traditional market service sector in Padang City contributed IDR 46,147.12 billion to the total regional revenue in 2024, according to data from the Ministry of Finance, Nanggalo Market's projected annual revenue of IDR 65,565,000 represents a contribution of approximately 0.14 percent to the total regional revenue. Although this percentage may be small, when accumulated with annual revenue from other traditional markets in Padang City, the contribution of the traditional market service sector is significant. According to average calculations, each trader at Nanggalo Market pays around IDR 92,606 per month, which is obtained from the total monthly revenue of IDR 5,463,750 divided among 59 to 74 active traders. Considering that compensation is a reward for facilities and services provided by the local government, such as the provision of stalls, security, cleanliness, and the maintenance of market infrastructure, this amount is affordable for conventional market traders. One of the factors that support the high level of payment compliance among sellers is the affordable rate (Ermawati & Mutiara 2024).

#### 3.1.2 Legal Basis for Market Service Retribution Management

The established policy requires the payment of market fees at Nanggalo Market to be made in stages and on time. The general method is for fee collectors to collect payments from traders and then deposit them with the UPTD Market Revenue Treasurer on the same day. In accordance with Permendagri Number 77 of 2020, Article 64 paragraph (3), the Revenue Treasurer must deposit all payments into the RKUD within 24 hours. This tiered system is intended to provide oversight and balance in financial management to reduce the possibility of misuse and ensure transparency at every step of the deposit process (Dinas Perdagangan Kota Padang, 2025).

#### 3.1.3 The Effectiveness of Market Service Fee Management at Nanggalo Market in Increasing Local Revenue (PAD) for the City of Padang

George R. Terry in Principles of Management (1958) argues that the grand theory of public management effectiveness can be achieved by implementing management functions such as planning, organizing, actuating, and controlling. The analysis of the effectiveness of market service fee management at Nanggalo Market uses this conceptual framework. In terms of market service fee management, these four management functions are an important basis for assessing the extent to which fee management at the Nanggalo Market has helped increase the local revenue of Padang City.

The effectiveness measurement indicators developed by Handraini et al (2024) used four main dimensions to measure the level of effectiveness. Toll collection management has three dimensions: the first is the alignment between achievements and objectives, which measures the extent to which revenue targets are in line with established objectives; the second is social impact, which evaluates how toll collection management positively affects the quality of market facilities and the welfare of traders; and the third is research, which can determine the overall effectiveness of toll collection management using measurements from these four dimensions.

During field research on Sunday, October 12, 2025, researchers found that interactions between toll officers and vendors took place in a fairly friendly environment. Officers were observed serving customers in a friendly and professional manner, answering questions patiently, and providing technical assistance to customers who experienced difficulties in the digital payment process. While they kept meeting their payment obligations, some vendors expressed concerns about the burden of fees during declining economic conditions in informal conversations.

Researchers in the field observed on Sunday, October 12, 2025, that fee payments were running smoothly. Market operators, particularly the elderly, seemed to require more time to complete digital payments because of the limitations in using their digital wallet applications. However, most market operators are cooperative when speaking with toll officers. From the atmosphere at stalls, market operators have become accustomed to tolling payments as part of their operational responsibilities in the market.

#### 3.1.4 Inhibiting Factors Affecting the Effectiveness of Market Service Fee Management at Nanggalo Market

In the case of Kebun Raya's market, the planning process was hampered by the absence of traders in setting retribution rates. Planning was carried out centrally without consulting traders, as confirmed by the Head of the Technical Implementation Unit (UPTD), collection officers, and staff of the Trade Office. Traders from various classes of stalls emphasized that they had never participated in discussion forums. Due to the lack of participation, the levy policy is less responsive to the financial capacity of vendors in the field. The limited number of collection officers compared to the size of the area and the number of vendors served are obstacles to the organization. Although collection officers mention the responsibility of the shop, the head of the Technical Implementation Unit (UPTD) states that only two officers are assigned based on the type of compensation. Officers from the Trade Office acknowledged that officers had to make repeated visits to collect from merchants who had delayed payment. This unfavorable ratio between officers and merchants resulted in an inefficient collection process.

The instability of Internet signals in the Nanggalo Market area was an obstacle to its implementation. The signal, which is sometimes available and sometimes unavailable, is a major obstacle to digitization according to staff from the Department of Trade. Merchants from various classes of stalls complained about slow connections, late payment notifications, and frequent QR scan failures. As they cannot receive payment confirmation directly, collection officers confirm that the collection time must be repeated. There is uncertainty about the payment status, and operations become more wasteful because of this infrastructure weakness. There are obstacles to oversight, because there is no transparency mechanism that allows vendors to know how compensation funds are being used. They would expect an information board or periodic announcements to explain the total levies collected and their allocation. The Head of the Technical Implementation Unit (UPTD) and Trade Office staff did not mention any public reporting mechanism for merchants. This lack of clarity hinders the formation of social control and reduces merchants' sense of ownership in market improvement programs.

Neglected digital skills, especially among older merchants, are obstacles in achieving these objectives. Older merchants from various classes said that they had difficulty using digital payment applications and needed help from staff and family members. Younger merchants said that many older merchants were unfamiliar with digital systems and took longer to pay. This is the case for some merchants who struggle to fulfill their retribution obligations due to a lack of digital skills. The dependence of market facility improvements on limited regional budget allocations is a barrier to social impacts. The Head of the Technical Implementation Unit (UPTD) explained that improvements are not made directly from retribution. Instead, improvements depend on the budget provided by the Trade Office after retribution is deposited as a regional revenue. Stall holders from various classes complained that the improvement process was sometimes slow and uneven, particularly regarding toilet hygiene and waste management. This indirect fund allocation mechanism causes a time lag between fee payments and the realization of facility improvements.

A tariff system that does not consider traders' economic capacity is an obstacle to public satisfaction. Vendors of all classes expect tariff adjustments based on economic conditions or sales, based on the principle that large vendors pay more and small vendors pay less. Tariffs are set based on technical factors, such as area size, according to the head of the Technical Implementation Unit (UPTD) and staff of the Trade Office; however, there is no adjustment mechanism based on economic capacity. Vendors with low incomes face a disproportionate burden owing to this tariff system.

Behavioral changes are hampered by fluctuations in traders' incomes caused by the characteristics of traded commodities and macroeconomic conditions. Vegetable traders say that because the products are perishable, income is uncertain, while other traders say that sales are unstable, and declining purchasing power makes it difficult to prioritize the payment of levies. Collection officers acknowledge that trader compliance tends to decline because of increasingly difficult buying and selling conditions. In addition, staff from the Trade Office state that traders' economic factors hinder their efforts. A tariff system unresponsive to these fluctuations places a disproportionate burden on high-risk traders.

### 3.1.5 Efforts and Strategies to Improve the Effectiveness of Market Service Retribution Management at Nanggalo Market in order to Contribute More Maximally to Increasing Local Revenue in Padang City

George R. Terry's management theory and effectiveness measurement, as provided by Dewi et al. (2021) and Roekminiati and Sunarya (2024), provides the basis for developing systematic efforts and strategies to improve the effectiveness of market service fee collection management. Analysis of management functions (planning, organization, motivation, and control) and effectiveness (alignment of implementation with objectives, social impact, level of public satisfaction, and behavioral change) were considered in these efforts and strategies. The second section identifies specific barriers.

To improve the efficiency of market service fee collection management at Nanggalo Market, the following efforts and strategies were implemented: (1) Establishing a Traders-Government Consultation Forum; (2) Increasing the Number of Collectors and Distributing the Workload; (3) Improving Telecommunications Infrastructure and Providing an Offline System; (4) Creating a System of Transparency and Public Reporting of Service Fee Funds

### 3.2 Discussion

The effectiveness evaluation showed that the realization of the objectives was achieved in twenty percent. The social impact is evident in the improvement of market facilities, although hygiene still needs improvement. Although the level of public satisfaction with the digital system is quite high (60–70%), there are complaints about the tariff burden amid difficult economic conditions. Behavioral changes show consistent payment compliance (100%) despite tariff burden.

The study found eight factors that hinder effective levy management in Nanggalo Market at every stage of the management process. There are eight factors that hinder effective levy management in Nanggalo Market, which are found at every stage of the management process. Limited digital literacy among older merchants hinders access to payment systems. Limited fiscal capacity for infrastructure improvements causes long delays between payments and implementation of facility improvements. The fluctuating economic conditions of merchants make it difficult to consistently meet retribution obligations. However, a rigid and non-progressive tariff system disproportionately burdens low-income merchants.

In the course of this study, eight measures and strategies were designed to improve the performance of market service fee collection management at Nanggalo Market. There are six of them: developing a trader-government consultation forum to increase trader participation in planning, adding and redistributing collection officers to address disproportionate workloads, improving telecommunications infrastructure with an offline system to address signal instability, implementing transparency and public reporting of fee funds, a digital literacy training program for traders, and optimizing budget allocation for small and medium-sized businesses.

## 4. CONCLUSION

The application of effective market service fees at Nanggalo Market has yielded mixed results for each management function. Their QRIS electronic fee system has been successful, with targets met and high compliance rates among vendors. However, the organization is hampered by a lack of human resources, planning is still centralized without vendor participation, and vendor satisfaction remains low despite systematic monitoring. This shows that the contribution of Padang City to local revenue is not yet optimal.

Retribution management obstacles in the Nanggalo Market are spread across every management stage. These include a lack of merchant participation in planning, disproportionate workloads for officials, inadequate telecommunications infrastructure, lack of transparency in fund usage, lack of digital literacy among senior merchants, limited fiscal capacity to improve infrastructure, and a rigid and non-progressive tariff system.

Several plans are in place to improve the efficiency of retribution management and its contribution to Padang City's PAD. These include the establishment of a trader-government consultation forum, the addition of manpower, the improvement of telecommunications infrastructure with an offline system, the implementation of transparency and public reporting, the provision of digital literacy training, the optimization of budget allocation for facility improvements, and the adoption of a progressive tariff system based on economic capacity.

**Ethical Approval**
Not Applicable

**Informed Consent Statement**
Not Applicable

**Authors' Contributions**

The IMF contributed to the conceptualization, legal framework analysis, and supervision of this study and served as the corresponding author. S contributed to the empirical data collection through interviews, literature reviews, and preparation of the manuscript draft.

**Disclosure Statement**

The Authors declare that they have no conflict of interest

**Data Availability Statement**

The data presented in this study are available upon request from the corresponding author for privacy.

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**Notes on Contributors**

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