

Review Article

How Strategies and Challenges Affect the Realization of Local Original Revenue Target in the Laboratory UPTD of the Public Works and Public Housing Service of Cilacap Regency

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Abstract: This study aims to analyze how internal strategies and external challenges can influence the achievement of Regional Original Revenue targets at the Laboratory Technical Implementation Unit (UPTD) of the Public Works and Public Housing Agency (Dinas Pekerjaan Umum dan Perumahan Rakyat) of Cilacap Regency. The research object is the performance of the Laboratory Technical Implementation Unit (UPTD), a technical unit providing construction material testing services, which directly contributes to Regional Original Revenue in Cilacap Regency. The qualitative approach employed a case study method, and data collection techniques included interviews, observation, and documentation. The sample in this study was obtained purposively. The results indicate that internal strategies focused on superior testing methods such as core drilling, abrasion, and concrete compressive strength have been conducted. However, limited equipment, human resources, and the lack of accreditation are major obstacles. On the other hand, external challenges include the lack of updated Regional Regulation tariff regulations, the absence of formal obligations for the use of laboratory services for regional budget projects, and a saturated local market. These findings provide important implications for the Laboratory Technical Implementation Unit (UPTD) in emphasizing policy revisions, increasing internal capacity, and strengthening inter-agency coordination to increase Regional Original Revenue realization.

Keywords: Local Original Income; Internal Strategy; External Challenges; Cash Flow; Laboratory UPTD

1. Introduction

Regional Original Income comes from regional revenue obtained from sources within the region itself which is collected based on regional regulations in accordance with applicable laws [1]. One of the contributors to the Regional Original Income in Cilacap Regency is the technical implementation unit of the UPTD Laboratory of the Public Works and Public Housing Service of Cilacap Regency which operates in the field of construction and laboratory services that provide various material testing services needed in construction projects.

Refers to Theory of Fiscal Federalisme which states a condition that reflects the existence of a gap between fiscal capacity, the ability to generate income, and fiscal needs, namely regional expenditure in accordance with matters that have been delegated by the center [2]. Therefore, optimizing regional revenue is crucial. Locally Generated Revenue is a crucial indicator for measuring a region's fiscal independence. The Laboratory Technical Implementation Unit (UPTD) plays a strategic role in supporting infrastructure development through material testing services.

In financial management, operational cash flow is a crucial aspect, reflecting a unit's ability to generate cash from operational activities. Unstable cash flow is a factor contributing to smooth operations and the achievement of Regional Original Revenue targets [3]. The problem in this study is the low achievement of the Regional Original Income (PAD) target at the UPTD Laboratory of the Public Works and Public Housing Service of Cilacap Regency in 2023. The questions asked are related to what internal and external factors influence the

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achievement of the Regional Original Income target, and what internal strategies have been implemented to deal with it?

This study aims to analyze the internal strategies and external challenges that influence the achievement of the Regional Original Revenue targets of the Laboratory Technical Implementation Unit (UPTD) of the Public Works and Public Housing Department of Cilacap Regency. Theoretically, this study is expected to contribute to the development of literature on performance management and the management of Regional Original Revenue in regional public service units.

2. Literature Review

2.1. Fiscal Federalisme

Fiscal Federalism Theory is a theory that discusses financial relations between levels of government, which uses a system of government programs that are placed at different levels of government. Fiscal Federalism is applied to a country that is trying to implement fiscal decentralization in its government ([4]. In its application, the theory of fiscal federalism is not only limited to the division of financial tasks, but also includes the fiscal transfer system and balancing funds provided by the central government to regions which aim to overcome fiscal imbalance or "vertical fiscal imbalance", namely the condition of imbalance between the fiscal capacity of the region's ability to generate income and fiscal needs, namely regional expenditure. [5] [2].

The benefit of the fiscal federalism theory is to increase the efficiency of public services [6]. Then encourage participation and accountability in financial decentralization at the regional level[7]. As well as accelerating regional development, regions that have fiscal autonomy will be more flexible in designing development programs. [5]. The objectives of fiscal federalism are to achieve economic efficiency, increase regional independence, reduce fiscal inequality, and improve public welfare. [6]. The principle of fiscal federalism is relevant to the optimization of Regional Original Income through the strategic role of the Laboratory UPTD in Cilacap Regency.

2.2 Cash flow

Cash flow is a report that provides information related to relevant cash receipts and disbursements in a company in a certain period by classifying transactions and activities. [8]. In this context, a cash flow statement reports the cash inflows and outflows of a company during a specific period. The cash flow statement serves as a source of information regarding a company's ability to generate cash from its operating activities. [9].

Cash flow is a financial report that records all cash receipts and disbursements during a certain period, which are classified based on operational, investment and financing activities. The cash flow report not only provides information about the amount of cash available, but also explains the sources and uses of cash in detail so that it can be used to evaluate the liquidity and financial flexibility of an organization or entity. [10].

According to [11] Cash flow is the actual cash coming into the company, not just when revenue is recognized. Revenue is an element of financial statements that reflects the results of a company's business activities derived from operational activities. This occurs when customers pay cash for transactions or when accounts receivable are settled that have previously been recorded. Therefore, there is a difference between revenue recognition and cash receipts related to revenue [8].

3. Methods

This research uses a qualitative approach with a case study method. A qualitative approach was chosen because it allows researchers to explore complex phenomena in depth in their original context. ([12]. In this case study, as part of a qualitative research method, it provides the ability to conduct a more in-depth and detailed exploration of a case related to the phenomenon being researched. [12].

3.1. Unit of Analysis

The unit of analysis in this study is the treasurer of receipts and laboratory employees of the Public Works and Public Housing Service of Cilacap Regency.

3.2. Data Sources

- a) Primary data was influenced by direct interviews, observations, and documentation at the Laboratory Technical Implementation Unit (UPTD) of the Public Works and Public Housing Agency of Cilacap Regency. The main sources were the Receipt Treasurer, the Head of the Laboratory Technical Implementation Unit, and the Head of Finance.
- b) Secondary data includes income reports and other supporting documents related to the performance of the Laboratory UPTD.

3.3. Unit of Analysis

Data analysis in qualitative research is iterative. Researchers can return to the field or data sources to obtain additional clarification if any findings remain unclear or new issues emerge during the analysis. This analysis technique is particularly relevant for researchers using a case study approach, as it provides flexibility in exploring internal strategies, external challenges, and factors inhibiting the realization of Regional Original Revenue (PAD) in depth.

4. Results and Discussion

4.1. Internal Strategy and Its Implementation

The UPTD's internal strategy focuses on optimizing key testing service types, operational efficiency, and strengthening inter-unit coordination. These findings align with those of the Krismiyati et al., (2023) [13] that "efficiency through monitoring, planning, and evaluation is critical for optimizing regional revenue". The focus on core services (core drill, abrasion, compressive strength) reflects a strategic resource allocation approach as suggested by the public performance literature.

According to framework strategic triangle in the literature, effective public service requires a balance between legal mandate, capability, and public value. The UPTD (Regional Technical Implementation Unit) has fulfilled its legal mandate but is still limited in its capabilities (resources). Therefore, the public value of the service is more optimal if supported by improved accreditation and equipment.

4.2. External Challenges: Policy & Market

The failure to ratify the revised regional regulation has hampered the increase in PAD, especially amidst a saturated trend in the local market. This reflects the regulatory challenges mentioned by Salomo & Rahmayanti, (2023) [14], while reforms to the government agency performance accountability system and performance-based budget structures have been slow but have significant potential to improve fiscal efficiency, UPTDs need to accelerate policy advocacy and respond to market dynamics by developing new services.

Globally, revenue collection strategy models emphasize the importance of regulatory clarity and transparent revenue models. Regional government service units (UPTDs) can emulate this model to expand their service base through regulatory incentives and digitizing retribution.

4.3. Comparison of Target and Realization of Local Original Income

The realization of Regional Original Revenue in 2023 was influenced by contributions from each agency, both government and private. The total realization of Regional Original Revenue from all agencies was Rp 322,539,600, out of a target of Rp 492,000,000. This reinforces the relevance of the federal fiscal theory proposed by [6]. This theory explains the gap between fiscal capacity, namely the region's ability to generate revenue, and fiscal needs, namely expenditures according to matters under the region's authority. The suboptimal achievement of Regional Original Revenue at the Laboratory Technical Implementation Unit (UPTD Laboratorium) reflects a vertical fiscal imbalance, namely an imbalance between potential revenue and financing needs. Existing data shows that the majority of Regional Original Revenue (PAD) is still dominated by the Public Works and Public Housing Agency of Cilacap Regency. However, contributions from other agencies and the private sector are still suboptimal. This minimal contribution is related to the absence of regulations requiring all APBD projects to use the UPTD Laboratorium testing services, and the limitations in developing markets outside the region.

4.4. The Impact of Resource Limitations on Financial Performance

The finding that only 43% of technicians are certified and that much of the equipment is outdated creates barriers to legitimacy and service capacity. This reinforces the literature finding that “meritocratic recruitment of public officials is associated with better public finance management” [15], UPTD must increase human capacity through training and certification, as well as update facilities to meet national accreditation requirements.

5. Conclusions

The 2023 Regional Original Revenue target at the Laboratory Technical Implementation Unit (UPTD) of the Public Works and Public Housing Department of Cilacap Regency remains suboptimal, with realization reaching only 65.56% of the target. Internal strategies, which focus on superior testing methods and efficient technician allocation, have not fully addressed external challenges or structural constraints.

Financial performance is impacted by limited, aging laboratory equipment, a lack of accreditation, and a shortage of certified technicians. These constraints directly impact service capacity and the ability to attract projects from external parties and non-PUPR agencies. Furthermore, the lack of revisions to Regional Regulations regarding services and the absence of formal regulations mandating the use of laboratory services for regional budget projects further widen the gap between potential and realized Regional Original Revenue.

These findings emphasize the importance of synergy between adaptive tariff policies, operational planning responsive to market needs, and strengthening resource capacity. Achieving Regional Original Revenue targets depends not only on service volume but also on system quality, regulatory effectiveness, and ongoing cross-agency coordination.

6. Suggestion

Based on the research results, there are strategic recommendations that need to be considered, such as the need for the regional government to accelerate the revision of Regional Regulations, regulations are needed regarding mandatory policies for the use of laboratory services, updating laboratory equipment and expanding technician certification training to increase service capacity and build client trust from the public and private sectors, accelerating the accreditation process, expanding market reach through types of services and active promotions outside Cilacap Regency, and improving coordination between regional apparatus organizations and implementing periodic performance reporting and internal audits to encourage accountability and continuous improvement.

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