

Social Capital And The Quality Of Government: The Strategy For Tax Policy Development

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Abstract

The proposition offered is a gap due to the absence of integration of social capital at micro- and macro levels. So that this reality has an impact on not optimal motor vehicle tax payments. Therefore, this study emphasizes the importance of integrating social capital at micro (actor) level and macro (structure) level in order to optimize regional revenue from vehicle tax. This research is a qualitative approach. The research was conducted in 4 (four) districts and one city in South Sulawesi province. It was conducted from January 2019 to May 2020. The results show that the strategy of social capital management in increase obedient for vehicle taxpayer shows that the elements of social capital, namely: network; trust; values, norms and social sanction; cooperation and reciprocal relations still exist in the duality of agents structural and structures in social practices continually in routine. Hence, there is a disintegration of the meaning of agents to the implementation of elements of social capital.

Keywords: *Strategy; Social Capital; Tax; Policy*

1. INTRODUCTION

Vehicle tax as stipulated in Regional Taxes and Retributions laws is a mandatory contribution to the region for individual or entity that is coercive as laws. Definitively, this regulation explains that vehicle tax is a tax on ownership of motorized vehicles. Meanwhile, motorized vehicles are all wheeled vehicles and their trailers that are used on all types of land roads and are driven by technical equipment such as motor or other equipment which functions to convert certain energy into driving force, including heavy and large equipment which in operation uses wheels and motorbikes and not permanently attached as well as motorized vehicles operated in water.

Referring to Act No. 28/2009, it is stipulated explicitly that tax revenue are used for the prosperity of the people through various development programs and activities. In practical

terms, this can also be observed in the Regional Regulation No. 8 of 2017 concerning Amendments to the Regional Regulation of South Sulawesi Province No. 10 of 2010 concerning Regional Taxes. Article 72 paragraphs 2 declare that 30% of taxes revenue is allocated to the District/Municipal by sharing; (a) 70% for potential aspect and 30% for equity aspect.

As the principle of hermeneutic, the regulations and percentage which explain the amount of regional tax contributions to district/municipal governments are not just regulations but they have a philosophical and pragmatic meaning in relation to the welfare of community. Philosophically, taxes are a manifestation of reciprocal interactions between social structures and actors that lead to the attainment of a prosperous humanitarian degree. Pragmatically, it is clear that the relationship between power and agent relations leads to a dynamic reciprocal integration model. In this case, the imposition of sanctions for motor vehicle taxpayers who do not or are late in paying taxes, further emphasizes that paying motor vehicle tax is a bounded social responsibility. As an illustration, <http://autonesian.com>, releases that owners of four-wheeled and two-wheeled vehicles who are late in paying taxes for more than one day will be subject to 2% of PKB and SWDKLLJ, which is similar to one month and if exceeds one month, the fine will be increased by 2% and multiplied according to the month that has been ignored, also the maximum fine of up to 48% for vehicle owners who do not pay taxes for 2 years.

Although the potential for taxes in South Sulawesi is still considered very large, the amount of back payment is also very large. For example, for only two Technical Operation Unit of Samsat, i.e UPT Makassar I, up Rp.53 billion and UPT Makassar 2 in 2019 in Makassar II region, South Sulawesi is up Rp. 23 billion. Thus, it is clear that the tax potential in South Sulawesi is still very large. However, the potential for vehicle taxes in South Sulawesi is so large that it is not implementing smoothly. The behavior of taxpayers is considered less obedient to paying taxes. This can be seen from the high taxpayer arrears. In fact, based on regulations, taxpayers who are in arrears are subject to heavy sanctions and fines. However, the imposition of such sanctions has not provided a deterrent effect for taxpayers of vehicle tax arrears.

Determination of sanctions through regulation has not been able to increase awareness of taxpayers to pay taxes on time. This reality is clearly related to the bureaucracy of motor vehicle taxation. Related to this, it is necessary to refer to the characteristics of the ideal bureaucracy according to Weber (1947), which include: strict work by rules (rules); special tasks (specialization); stiff and simple (*zakelijk*); official administration (formal); top-down arrangement (*hierarchy*); based on logic (*rational*); centralized (*authority*); obedience; discipline; systematic and impersonal.

Looking at Weber, it seems that several characteristics of the ideal bureaucracy are less relevant to the social reality of taxpayers in this area. For example, the stipulation of regulations that determine sanctions as part of a hierarchical bureaucratic practice even tends to force the taxpayer to not encourage increased compliance with paying vehicle taxes.

An alternative idea is required, which not only fulfills theoretical aspects but also implementation (Sakharina et al, 2020). The proposition offered in this study is that implementation of social capital by bureaucracy and taxpayers as social actors are able to encourage increased taxpayer compliance in paying vehicle taxes on time. This is in line with Field (2010) that people relate through a series of networks and they tend to have similar

values with other members of the network, to the extent that the network is a resource, it can be viewed as social capital.

The proposition offered is a gap due to the absence of integration of social capital at micro- and macro levels. So that this reality has an impact on not optimal motor vehicle tax payments. Therefore, this study emphasizes the importance of integrating social capital at micro (actor) level and macro (structure) level in order to optimize regional revenue from vehicle tax. And ultimately achieves the objectives of paying taxes, namely finance development, including social development in achieving welfare and justice, especially in South Sulawesi. This study aims to analyze the strategy of social capital management for the development of vehicle taxation policies in South Sulawesi, Indonesia.

2. METHOD

The research seeks to abstract social phenomena in the form of a strategy to increase local revenue through vehicle tax based on the potential of social capital. This abstraction is based on deep exploration of various information and data related to phenomena. Therefore, a relevant approach to this research is a qualitative approach. While, the type of research is a case study, in this case, the cases studied were informants who were obedient to pay taxes, namely informants who paid taxes (not late) for 3 consecutive years and informants who were in arrears for vehicle taxes for more than 1 year.

The research was conducted in 4 (four) districts and one city in South Sulawesi province. It was conducted from January 2019 to May 2020. The data analysis technique used Miles and Haberman's (1994) explanation as a reference. They describe a qualitative analysis of three concurrent streams of activity, namely; data reduction, data display, and conclusion/verification (Figure 1).

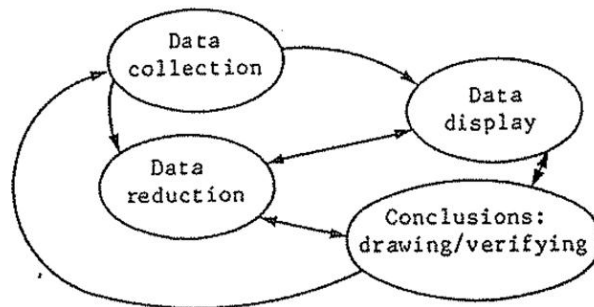


Figure 1. The flow of data analysis, Miles & Haberman (1994)

3. RESULT AND DISCUSSIONS

Interrelation of Social Capital, Bureaucracy, and Development

A study of social capital has proven that social capital plays an important role in community development. On the other hand, unmanaged social capital is degraded. Related to this, Putnam (Field, 2010:6) argues that social capital is part of social organizations, such as; trust, norms, and networks, which can improve the efficiency of society by facilitating

coordinated action. Regarding the idea of social capital, Field (2010) argues that there has been a debate about social capital for a long time. He stated that Durkheim argued his opinion about members of society who were held together by bonds that grew closer and went beyond the brief moment of exchange. Here, social bond contributes to the increasingly functioning of the community. According to Field, a central idea of social capital is social networks. This network is seen as a very valuable asset.

Fukuyama (2007) firmly explains that social capital is a capability that arises from general belief in society. Social capital can be institutionalized in the smallest and fundamental social groups, and also for larger social groups like State. Therefore, social capital is needed to create a moral community. According to Fukuyama, the accumulation of social capital is able to encourage innovations in a more cost-efficient society. The high level of trust as the central of social capital also allows the creation of a wider variety of social relations.

The interrelation of social capital and development (Hasbullah, 2006) is seen as very strong in creating people's welfare. As well, it is believed by Suharso (2005) that every society have stock of social capital endowment of social capital, regardless of the level, and which can be utilized at any time. Assumptions like this have raised a lot of research in various places to measure the levels of stock of social capital. Optimism arise that if the quality of stock of social capital is high in a society or a country, the hopes and opportunities for the creation of a Democratic Governance (DG) and even the performance of sustainable economic development will become a reality.

In relation to the discourse on civil society, the presence of Democratic Governance is possible through two conditions. The first, democratic governance can be created if there is civil society as an arena or agent that is vibrant, autonomous and independent from the State. The second, the relationships that are built between civil society organizations (CSOs) and between CSOs and the State are based and framed by the components of social capital, namely social trust, norms of reciprocity and cooperation, as well as networks or alliances for achievement of collective goals.

According to Suharso (2005) social trust arises from 2 (two) interrelated sources; namely reciprocity norms and civic management networks. Norms are instilled and preserved through socialization in society. There are two norms of reciprocity: balanced reciprocity (BC) and generalized reciprocity (GC). BC is the exchange of goods with equal value simultaneously while the second is a continuous exchange relationship, it could be that at one time, the exchange is not balanced but involves feelings of mutual hope and benefit in the future. Meanwhile, generalized reciprocity manifests as in fraternal relations are a very productive component of social capital.

Since the beginning, the functioning of social capital, including in the government bureaucracy is seen as encouraging the acceleration of social welfare. As Putnam (2000, in Hasbullah, 2006) argues nations that have high social capital tend to be more efficient and effective in implementing various policies for the welfare and advancement of people's lives. The interrelation between social capital, bureaucracy and development is increasingly clear in Myeon's (2016) opinion, he emphasized that the level of trust in the government, in this case, the government is a manifestation of the bureaucracy, can be increased by promoting collaborative values between government and citizens, which in turn increases the level of government effectiveness. Public institutions have been given legitimacy because of citizen

trust, because they have gained the power to implement policies. When the level of trust increases gradually, the government can actively implement planned policies based on legitimacy, and it is possible to gain broader support and consensus in the policy decision-making process. However, when the level of trust decreases, the government cannot implement policies effectively, and in turn can lead to a vicious cycle of distrust.

Relevant to statement as above, Evans and James (1999) argue that the Weberian's perspective emphasizes positive impact of strengthening market institutions. A bureaucratically structured public organization uses a different set of decision-making procedures, which is a necessary complement to market-based institutional arrangements. More precisely, Weber argues that public administration organizations characterized by meritocratic recruitment and long-term career rewards are predicted to be more effective in facilitating capitalist growth than other forms of state organization. The essence of this statement is that growth through development depends on the role of the state, where the State is a tangible manifestation of a complex series of bureaucracies. Thus, the hypothesis of "Weberian State" deserves more attention than other sociologists and social scientists, both empirically and analytically (Evans and James, 1999).

As described above emphasizes that social capital, bureaucracy and development are closely related to one another. Meanwhile, in the discourse of micro-level social capital, it can be emphasized that the entire organizational implementation process occurs because interaction between actors (*agents*) who build social relations. In this case (Usman, 2018) explains that social capital at the micro level is at the actor level. In this case the actors invest in social relations then create opportunities to take advantage of the resources that are deposited in the social relations that occur.

Thus, it is clear that the ideal bureaucracy according to Weber cannot be realized without the social relations of actors in which there is social capital in the actor. That is why the potential for social capital at the micro (actor) level is determined by the relationships that exist between actors (individual social connection). Therefore, an ideal bureaucracy, which then leads to the development of all fields, will never succeed without active interaction of each actor in achieving the goals of the bureaucracy. This is evidenced in one of the main elements of Weber's ideal bureaucracy, which argues that specialization in management or organization must be supported by trained expertise. This statement emphasizes the role of actors who have expertise and are trained in running the bureaucracy is considered very important. Individual expertise and skills are social capital at the micro (actor) level. In this case, the quality of the actor's expertise and skills are determined by the activeness of actors in their social relations in making social investments.

Social capital at macro level clearly leads to all the norms and values that form the basis of a bureaucracy. Thus, the ideal bureaucracy itself is a social capital. This refers to Putnam (Field, 2010:6) who argues that social capital is part of social organizations, such as; trust, norms, and networks, which can improve the efficiency of society by facilitating coordinated action. Implementation of the ideal bureaucracy is a coordinated action in the entire process of running a bureaucratic organization.

Optimization of Regional Revenue through Contribution of Vehicle Tax

The relationship between vehicle taxes and regional revenue is very clearly regulated legally in regulations. Due to vehicle tax is a source of income collected and managed by the

regional government. This is important to emphasize in this theoretical study because the tax aspect is meant to play an important role in the regional development process to achieve public welfare. However, it needs to be emphasized that the aspect of tax that is “lacking” is the aspect of bureaucratic behavior and taxpayers in sociology studies.

The results of this research indicate that the role of government on social capital norms has a positive and significant effect. If the role of government is increased, the greater of social capital norms in Gerokgak subdistrict, in addition, the role of government has a positive and significant effect on the social capital network in Gerokgak subdistrict. If the role of government is increased, the greater of network quality or social capital network for poor households in Gerokgak subdistrict, it proves that the role of government is positive and significant for the network of social capital or network quality.

Also, it shows that the role of government has a positive and significant effect on social capital trust in Gerokgak district. If the role of government is increased, the greater of trust for poor household group, whereas the role of government increased, the greater of trust in the social capital of poor households in Gerokgak district. Likewise, the role of social capital norms on the welfare of poor household heads has a positive and significant effect in Gerokgak subdistrict. If the social capital norms of poor households are increased, the greater of the welfare level of poor households in Gerokgak subdistrict. Meanwhile, social network indicator shows that the role of social capital networks on the welfare of poor households in Gerokgak subdistrict has a positive and significant effect. If the network quality or social capital network increase, then the greater of welfare of poor households in Gerokgak subdistrict.

For indicator the role of government, it was found that the role of the government did not have a direct effect on the welfare of poor households in Gerokgak subdistrict, Buleleng district. Whereas the social capital norms in poor households in Gerokgak subdistrict play a very important role in explaining the welfare of poor households. While, for indicator of social network, it was found that the social capital network of the heads of poor households in Gerokgak subdistrict as a mediator for the role of the government on the welfare of the heads of poor households where the role of government (X1) is insignificant towards welfare (Y1) which proves that the government needs the necessary mediation to building the welfare of poor households in Gerokgak subdistrict. The results show that the variable of role of government (X1) on the welfare of poor households (Y1) which is mediated by social capital network is stated as full mediation because the direct effect of the role of government (X1) on welfare (Y1) is not significant.

One of the results of research related to the potential for social capital can be seen in the results of the Survey on Public Trust in the Regional Income Agency of South Sulawesi UPT Makassar II. It uses a quantitative approach and survey.

1. Trust

Based on the data, it is known that the element of employees' honesty of the Regional Income Agency of South Sulawesi UPT Makassar II gets a percentage value of 224 or $(224:290) 100\% = 77.2\%$ of 100%. Meanwhile, sequentially it can be explained that the fairness element of Regional Income Agency of South Sulawesi UPT Makassar II is 241. This means that the level of fairness of employee behavior according to society is $(240:290) 100\% = 82.8\%$ as expected is 100%; the equality element is 238. This means that $(238:290) 100\% =$

82.1% is percentage level as expected is 100%; the element of generosity is 228. This means that the level of potential social capital, the element of generosity of employees is 78.6% or (228:290) 100%.

2. *Network*

For network indicator as described here, 5 elements are tested, namely; community participation in supporting compliance with paying vehicle taxes on time, mutual acceptance of one another, solidarity, cooperation, and justice. These elements are described as follows. For the element of community participation, the percentage value is 126 or (126:290) 100% = 43.4% for 100% expected; the element of acceptance is 229 or (229:290) 100% = 79.0% for 100% expected; the element of solidarity is 147 or (147:290) 100% = 50.7% for 100% expected; the element of cooperation between taxpayers in paying vehicle tax is 150 or (150:290) 100% = 51.7%; the element of justice (feeling of being treated fairly) is 235 or (235:290) 100% = 81.0% for 100% expected.

3. *Institutions*

Institution as social capital plays an important role in encouraging increased awareness of behavior to pay taxes on time. Social institutions contain elements of values shared by society; norms and sanctions; and understanding of the rules. Based on the data, it is known that the element of shared pride value is 226. This means that from 100% of ideal level expected, the percentage for this element is (226:290) 100% = 78%. Meanwhile, the element of norms and sanctions is 234 or (234:290) 100% = 80.7% for 100% expected. Meanwhile, the value of rules understanding regarding vehicle tax is 224 or (224:290) 100% = 77.2% for 100% expected. Thus, it is known that the accumulation of social capital for the Regional Income Agency of South Sulawesi UPT Makassar II is 71.9%. This means that the level of public trust for Regional Income Agency of South Sulawesi UPT Makassar II at high category.

The results of research by Alm and Juan Luis Gomez (2008) showed that tax capital (social capital) has a significant correlation with perceptions of the benefits of taxes for society. This shows that the quality of tax institutions motivates individuals to pay taxes. In addition, the application of tax morale as described above is also significantly correlated with individual perceptions of the level of fiscal violations.

The role of social capital in increasing taxes is supported by Oordt (2018). He said that social capital *bridging* has an indirect effect on individuals in paying taxes. The effect through a series of public practices, for example; through economic development, government effectiveness, corrupt behavior, trade affects the willingness of individuals to pay taxes. This is based on Oordt's (2018) observations on African communities. Meanwhile, in Indonesia, a research conducted by Saragih (2012) at Bogor Tax Office shows that capital; especially trust can be formed from a transformational leadership model. Transformational leadership model is proven to be able to increase employee work effectiveness because of the trust in the leadership.

The results of researches indicate that the role of social capital in relation to the behavior of individuals paying taxes is considered significant. Therefore, this study intends to conduct a deeper study to find strategies for implementing social capital at the micro and macro levels to increase tax compliance, particularly motor vehicle taxes.

Based on the previous research, this research shows that there is a novelty aspect related to social capital. This novelty aspect can be found in the search for social capital at the agent level (micro) and the macro level (structure). From a theoretical aspect, this research is also new because social capital at the micro and macro levels is formulated through tracing social practices using structuration theory. Not only that, this study seeks to find a social capital integration model at the micro-macro level which is clearly different from other studies. Thus, it is clear that this research has novelty aspects and is at the same time different from previous studies.

4. CONCLUSION

The strategy of social capital management in increase obedient for vehicle taxpayer shows that the elements of social capital, namely: network; trust; values, norms and social sanction; cooperation and reciprocal relations still exist in the duality of agents structural and structures in social practices continually in routine. Although, the existence of these elements of social capital is still disintegrating, disintegration is a partialization of the meaning of social capital from an agent which in a causal relationship causes differences in social action.

There is a disintegration of the meaning of agents to the implementation of elements of social capital. The obedient agent considers that the payment of vehicle tax on time is mandatory, pride, participation and benefit because it avoids fines or sanction. For obedient agents, paying vehicle tax is a priority with the same urgency as other basic needs. Meanwhile, arrear agents consider that paying vehicle tax is a negotiable obligation. Therefore, they place vehicle tax payments as a lower priority than other needs and use fines as a means of negotiation.

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