THE INFLUENCE OF FISCAL DECENTRALIZATION, ORGANIZATIONAL COMMITMENT AND LEADERSHIP STYLE ON THE PERFORMANCE OF REGIONAL APPARATUS ORGANIZATIONS (OPD)

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Abstract

This study aims to examine the effect of fiscal decentralization, organizational commitment and leadership style on OPD performance. This study uses a quantitative approach with explanatory research which is useful to analyze how a variable affects other variables for hypothesis testing. Respondents in this study were Head of OPD (Echelon II and Echelon III) in Batu City Government, Malang City, and Malang Regency. Sampling technique used by using Saturated Sampling Method, using survey method to 120 Head of OPD. This research uses Structural Equation Modeling - Partial Least Square (SEM-PLS) analysis tool, with the help of WarpPLS 3.0 software. The result of hypothesis testing shows that fiscal decentralization has a positive effect on OPD performance. This means that with increased understanding of fiscal decentralization will be able to improve OPD performance. In terms of the type of leadership style itself shows good results and has a positive and significant effect on OPD performance. While the organizational commitment variable can not affect the performance of OPD.

Keywords: *Fiscal Decentralization, Organizational Commitment, Leadership Style, OPD Performance*

INTRODUCTION

The size of the success of an organization, whether private organizations or public sector organizations seen from the performance. Pestieau (2007) defines performance as an outcome of the agent (government) in doing a job that aims to fulfill the desire of the principal (community). Another opinion about the definition of performance conveyed by Kreitner and Kinicki (2005) states the performance of the organization is the level of achievement of organizational goals in relation to work done in a certain period. This understanding when connected with the performance of the regional apparatus organization (OPD) then the performance is the achievement of OPD on a performance

target that aims to meet the needs of the community through the implementation of programs and activities as outlined in the budget allocation and regulated in the law.

Wan (2006) divides performance into three components: performance, as a result, a process, and length of working time. Furthermore Wan (2006) added that the work is a comparison between the normative target of the organization with the realization achieved, while the work process associated with a series of organizational activities and work time units associated with when the performance measurement.

In the implementation of governance based on regional autonomy is needed an instrument in the form of methods, tools/techniques to measure it (Nisjar, 1997). To assess the success or failure of public sector performance, it is necessary to evaluate and measure the performance of the organization's performance on an ongoing basis. The form of evaluation and measurement can be realized through an evaluation of the performance accountability system of government agencies.

Elements assessed in assessing performance according to ministerial regulation of apparatus Number 12 of 2015, there are several things, namely:

1. Performance Planning, which includes the accuracy and conformity of results of an activity with a program that has been planned and determined.
2. Performance Measurement, which includes measures of performance achievement based on established performance indicators as well as achievement of organizational goals and objectives.
3. Performance Reporting, which includes reporting compliance, the quality of presentation of its performance reports and the utilization of its performance reports.
4. Internal Evaluation, including evaluation of program and activity achievement based on realization in APBD implementation in a period of one year, and evaluation of impact to society.
5. Performance achievement, including budget realization with a predetermined budget, and information about the achievement of realism based on expenditure standard and unit price of goods.

Based on data from the Ministry of Administrative Reform and Bureaucracy Reform in 2017 evaluation results in districts/cities in Indonesia 2016 there is an increase in the average value of 2.95 points from the achievements of 2015 by 46.92 points to 49, 87 points. Despite an increase in performance of 2.95 points, but the achievement is still classified low with achievements below 50 points (category C) (menpan.go.id, 2017).

The low achievement of evaluation results can be caused by several main issues, among them the absence of objective-oriented results, the absence of clear and measurable indicators, programs and activities that are not synchronized and details in activities that

are not in accordance with the purpose of its activities. This will have an impact on the inefficiency of budget usage in government agencies causing wastage on local government budget excluding personnel expenditure. The relationship of accountability performance in public sector system implementation level with budget usage is very significant. System that has been only limited to documents, it affects the level of effectiveness and efficiency of APBD budget usage so that the necessary changes to the financial management system in government agencies.

The improvement of the financial administration system has actually started since the 1980s that started from the traditional management system then changed into a new management system that is by following the New Public Management (NPM) paradigm. NPM has changed the role of government as a private organization in running public sector management. The goal of NPM is to achieve efficiency, effectiveness, transparency, and accountability in the public sector (Astutiningrum, Djamhuri, and Prihatiningtyas, 2017). The concept of NPM automatically affects the paradigm shift in the public sector, both in the areas of budgeting, reporting and performance measurement.

The impact of NPM implementation in Indonesia is felt deeply in both the governance system and the administrative system. In the administrative system can be felt from the changes and developments in various rules of legislation. While in the system of government, marked by the change of government system from centralized to decentralization. This decentralized system of government has only been effective since the issuance of Law no. 22 of 1999 on Regional Government and subsequently underwent the latest amendments amended by Law no. 23 years 2014.

These changes provide widespread authority for local governments to empower and develop regions independently through the potential that exists in the region (Yuhayani, 2008). In addition, local governments are given authority in determining the objectives, directions, policies and work programs of government organizations. The implementation of decentralization also has an impact on the flexibility of local governments to find, manage and allocate the funds used to provide services to the community through the Regional Budget (Nasution, 2010).

Federalist Fiscal Theory explains that the implementation of decentralization will make it easier for the government in the decision-making process because the local government is closer to its people, so the information received will be better than the central government on the condition of each region. In the fulfillment of public goods, this theory also introduces the dimension of competition and competition between regions regarding the allocation of funds for public expenditure. This theory also supports the implementation of decentralization in the distribution function between the central and regional governments through revenue assignment and expenditure assignment.

The successful implementation of NPM in developing countries, including Indonesia, is heavily dependent on localized contingency factors and not because of national factors in general. Factors such as corruption, accountability, administrative capability do affect government performance, but local contingency factors have a greater impact on the success or failure of the organization.

Some of the factors of local contingency that have a big influence on organizational performance include organizational commitment, if organizational members have a strong commitment to the organization it will give an increase to the organization's performance (Aisha, 2017). With the unity of vision and mission between subordinates and superiors, it will facilitate the achievement of a strategic plan that has been established (Fitri, 2014). Another factor is the style of leadership that has a strong influence on the continuity of the organization. In local government, leadership factors play a role in directing employees to work in accordance with the main tasks and functions that have been given, so that the strategic objectives of the organization will be met as expected (Mufarrohah, 2013).

The fiscal decentralization variable is a variable that is often investigated in studies related to performance (Huther and Shah, 1996; Yuhayani, 2008; Manatung, 2012, Nasution, 2010; Samekto, 2011; Damayanti, Made and Anantawikrama 2015) with reference to the fiscal theory of federalism. Organizational commitment variables (Prawitasari, 2012, Mufarrohah, 2013, Fitri, 2014, Allen and Meyer, 1996) and leadership style (Fitri, 2014; Mufarrohah, 2013; Ayesha, 2017; Sukmasari, 2011; Anggraini and Redy, 2011) contingencies are extensively researched in studies related to OPD performance. The inconsistency of research results encourages researchers to re-examine the three variables with objects and respondents are different from the object of research in Batu City Government, Malang City, and Malang Regency.

The object of this study was chosen because the result of evaluation of Batu City Government in 2016 got the lowest rank among Regency / City of East Java by obtaining evaluation value equal to 41, 72 points with predicate "C". This achievement is lower than the 2015 achievement of 42.06. Results obtained by the Government of Malang in 2016 get the predicate "BB" with a point of 70.95 increased one level from 2015 which got points of 61.91 with a predicate "B". Positive results were also received by Malang Regency in 2016 with the title "B" rising one level from 2015 which earned an assessment of 58.73 points with the predicate "CC".

THEORITICAL REVIEW

Fiscal Federalism Theory.

Studies on the relationship of decentralization to the economy and public services can be explained by the fiscal theory of federalism. Federalist fiscal theory the federalism fiscal theory consists of two perspectives, namely traditional perspectives (first generation theory) and new perspectives (second generation theory). The perspective traditionally expressed by Hayek (1945) which in this theory emphasizes the two opinions, namely, first, the use of community knowledge that accommodates decentralized decision-making process will be facilitated by the efficiency in information management because local government has a high proximity to the community. secondly, Tiebout (1956) discloses the dimension of competition in the form of competition among local governments on the allocation of public expenditure provide options to the public in selecting public goods and services produced by local governments that are tailored to the needs of the community. This will be different if the central government plays a role in the provision of public goods and services. The study of fiscal decentralization mostly uses fiscal federalism theory (fiscal Federalism Theory).

Contingency Theory

Contingency theory provides an understanding that when an organization expects good performance, it must make system adjustments to uncertain conditions about the organization's environment, size and strategy in business (Gerdin and Grave, 2004). Gerdin and Grave (2004) add that in contingency theory there are two understandings that: first, organizational design is not the best and has a definite structure, both design organizations have the same roles and performance. A concept in management can only be executed under certain conditions or circumstances only and is not universal (Alim, 2002). Galbraith (2000) argues that on the basis of contingency theory, organizations are managed in different ways with different levels of effectiveness according to the organization's environment. This indicates that environmental factors have an influence on organizational performance.

Local Government Performance

An organization must have a goal to be achieved. These goals can be realized with the work of each unit within the organization. The term performance comes from the word performance (performance). Performance is the result of work both in quality and quantity generated by employees for tasks that have been charged to him (Mangkunegara, 2007).

In relation to performance in local government, the definition of local government performance in Government Regulation No. 8 of 2006, stated that the performance is the

result of an activity/program that will or has been achieved related to the measured budget absorption. To assess the performance success of an organization required a measurement of performance (Padovani, 2009). Bastian (2010) defines performance measurement as a tool used for improving the quality of decision making as well as the level of organizational accountability. Instrument in measuring the performance of local government (Verbatten, 2008; Herminingsih, 2009; Citra, 2016) include: achievement of performance targets for the implementation of a program, program achievement, accuracy and conformity of results, conformity between budget realization and budget, impacts on community life, achievement of operational efficiency, and moral behavior of employees.

Fiscal Decentralization

Saragih (2014) defines decentralization as a process of delegation in policy making from the central government to local governments / local communities. With decentralization, community involvement in decision-making is expected to participate. Arrangements in administrative matters, management of development funds and utilization of natural resources (SDA) need the existence of interference from the community. So the goals and ideals of decentralization or regional autonomy can be fulfilled.

In Indonesia, the implementation of decentralization has been implemented since 2001 and has been regulated by Law no. 22/1999 and amended by Law 32/2004 on Regional Government, which states that in the administration of government, the government uses the principle of decentralization, the principle of co-administration and deco-centration principle. Decentralization is also regulated by Law no. 33/2004, concerning the delivery of the authority of some central government tasks to local governments in regulating and managing regional finances.

Fiscal decentralization empowers regions to determine sources of income, regulate spending and local rights in receiving transfer funds from the central government (Litvack, et al., 1998). In general to measure the allocation of authority can use income and expenditure (Akai and Sakata, 2002). Manurung (2012) uses indicators: 1) Expenditure / Expenditure, 2) Development Expenditures and 3) Receipts.

Several previous studies have found that fiscal decentralization has a positive effect on local government performance, including research conducted by Huther and Shah (1996); Yuhayani (2008); Manurung (2012); Akai and Sakata (2002); Zhang and Zou (1998). In a study conducted by Damayanti, Made and Anantawikrama (2015), Samekto (2011) found that fiscal decentralization has no effect on the performance of local governments. Based on the description above researchers tried to reexamine the influence between fiscal decentralization and OPD performance. For that the hypothesis that can be formulated is as follows:

H1: Fiscal decentralization has a positive effect on OPD performance

Organizational Commitment

The success of the organization one of them can be seen from the success in the management of human resources. This cannot be separated from the commitment of employees to the organizations in which they work. Mowday, Steers, and Porter (1979) argue that organizational commitment is an effective participation of members to devote to their organizations. Ikhsan (2008) argues that organizational commitment is a measure of the extent to which a person sides with his or her organization and is interested in maintaining membership. Mowday, et al. (1982) states that the commitment of the organization is shown by the loyalty of workers continuously with the aim of achieving the success and welfare of its members. According to Allen and Meyer (1996), there are three components to the organization's commitment: Affective commitment, Ongoing commitment, Normative commitment.

Weer's, Greenhaus and Linnehan (2010) conducted a study on the role of permanent employees and contracts, the results of the study resulted that commitment to the role of contract employees had a positive effect on performance. Other research conducted by Suwardi and Utomo (2011); Aishah (2017); Sardjito and Muthaher (2007) indicating that organizational commitment has a significant effect both directly and moderating on performance. In another study conducted Cahyasumirat (2006), shows that the commitment of the organization does not affect the performance. Similarly, research by Arifah (2012) and Sembiring (2009) shows that organizational commitment does not have a positive effect on performance-based budgeting. Based on the above description, the researcher tries to re-examine the influence between organizational commitment and OPD performance. For that the hypothesis that can be formulated is as follows:

H2: Organizational commitment has a positive effect on OPD performance

Leadership Style

The role of leaders in an organization is very important to direct and bring the organization to achieve its goals (Aisha, 2017). A leader will give influence directly or indirectly to organizational elements in order to always have a good performance. In the process of a leader influencing his subordinates, a leader has a different style of leadership (Mufarrohah, 2003).

Robbin (2002) defines leadership as a person's ability to give influence to a group to achieve common goals. Leadership styles are divided into 4 leadership style groups: Directing, Coaching, Supporting and Delegating (Gibson, Ivancevich, and Donelly, 1995).

Erwati (2009) through his study found that the style of leadership has a significant influence on the relationship between the participation of performance-based budgeting on performance. The results of this study are also supported by Izzaty (2011) which shows that simultaneously the leadership style as the trigger factor of successful implementation of the performance-based budget.

Researchers through empirical evidence above suspect and formulate the hypothesis, namely:

H3: Leadership style positively influence OPD performance

RESEARCH METHODS

Population and Sample

Population in this research is 120 head of OPD (Mellon II and III) in Batu City Government, Malang City, and Malang Regency. In determining the required sample this study refers to Sholihin and Ratmono (2013: 12) stating that the minimum sample size that can be sampled in SEM-PLS is ten times the number of paths. Sampling technique using Saturated Sampling using all members of the population as a sample of research (Sujarweni and Endrayanto, 2012). Table 1 describes the sample and rate of return of the questionnaire.

Table 1
Sample and Return Rate of Questionnaire

Description	Number of Questionnaires
Questionnaires	120
The questionnaires did not return	11
The questionnaires returned	109
A non-process able questionnaires	45
Questionable questionnaires	59
The rate of return of the questionnaires (response rate) = $(109/120) \times 100\%$ 90,83%	

Source: Processed data, 2018

Measurement of Variables

Measurement of variables using measurement instruments from questionnaires. The Fiscal Decentralization Variables (DF) use the questionnaire adopted from Manurung (2012), Organizational Commit Variables (KO) using questionnaires used by Sardjito and Muntaher (2007) and Aisyah (2016), For Leadership Style Variables (GK) adopted from questionnaires used by Luthas (2006) and Aisyah (2017), while for OPD (K) Performance

is measured using instruments developed by Citra (2016) and Herminingsih (2009). In this study, the respondents can give a score on the questionnaire with Likert scale 1-5.

Data Analysis

This study uses SEM-PLS with WarpPLS 3.0 to analyze research data. There are two stages in analyzing the research data: 1) Analyzing the outer model of the research, 2) Interpreting the data results in the inner model. To test the hypothesis done by:

1. Determining the level of significance (α) of 5%.
2. See significant p-value and coefficient direction. The hypothesis is supported if the significance of p-value ≤ 0.05 (5%) and the direction of the coefficient (β) corresponds to the direction of the hypothesis, and the hypothesis is rejected otherwise.

RESEARCH RESULT and DISCUSSION

Data analysis with the help of WarpPLS 3.0 statistics, can know the structural model is as follows:

Figure 1
Structural Research Model

Source: Processed data 2018

The structural model of the above research is tested by the following stages: first, test the Outer Model through convergence validity test, discriminant validity test, and reliability test and the result has passed the test (See Appendix), secondly, by looking at the inner model that can be seen in Fig. 1. The following summarizes the hypothesis test of this research in Table 2:

Tabel 2
Hasil Uji Hipotesis

No	Hipotesis	Koefisien	<i>P value (one tailed)</i>	Result
1.	H1	0,445	<0,001	Accepted
2.	H2	0,164	0,184	Rejected
3.	H3	0,417	<0,001	Accepted

Source: Figure 1

4.1 Effect of Fiscal Decentralization on the Performance of OPD

From the test results H1 significance value (p) of <0.001 and the value of the positive coefficient, which means the hypothesis accepted. The fiscal decentralization variable (DF) proves empirically to influence OPD performance. The results of this study support research conducted by Huther and Shah (1996); Yuhayani (2008); Manurung (2012); Akai and Sakata (2002); Zhang and Zou (1998). The fiscal decentralization variable in this study has been established by two indicators of decentralization of expenditure, and decentralization of development spending. From the results of outer testing, the variable model of fiscal decentralization shows that decentralization indicators of expenditure and decentralization of development expenditures are important in the implementation of fiscal decentralization policies in local governments.

This study supports the application of fiscal federalism theory which states that local governments through fiscal decentralization will be easy in taking policies supported by knowledge in society. Local governments have more Information about all the needs of the community so that local governments can prioritize funding for the implementation of programs and activities in a targeted, effective and efficient manner. This theory also provides flexibility for local governments in determining development products that meet the needs of local people. Determination of superior local government products can be used as a competitiveness for local governments in seeking investors to assist the development process in the region. The federalism fiscal theory also emphasizes the importance of expenditure assignments that are adjusted to regional revenue either from the central government or from the original income of the region.

The results of the research indicate that the authority of the regions in the determination of programs and activities is quite high. Local governments have more authority in allocating budgets received from balancing funds as well as from local revenues. This is in contrast to the time before the implementation of decentralization, where central government control over financial management in the region is very high, so the programs proposed by the local government are highly dependent on the central

government. With the given authority, the local government through the OPD will focus more on the aspirations of the community submitted to the government through the Development Planning Deliberation Process (Musrenbang), so it will be more appropriate target in the implementation of programs and activities to be run

Effect of Organizational Commitment on OPD Performance

H2 hypothesis test shows that organizational commitment variable has no effect on OPD performance. It can be seen from the value of significance (p) of 0.184 is greater than 0.05 (5%) with a coefficient of 0.164. From the positive value, coefficient indicates that the organizational commitment variable affects the performance of OPD positive although not significant. The results of this study support the research of Arifah (2012), Sembiring (2009) and Cahyasumirat (2006) which results indicate that organizational commitment has no effect on performance.

From the results of this study proves that not fully employees with high commitment will result in a high performance as well. This may be due to differences in personal employee factors (age, gender, education, work experience) in public sector organizations. Employees who are old and have decades of work experience will have different commitments with new employees. Besides, the involvement of employees in the organization will also greatly affect the commitment of employees, especially in the determination of budget priorities and the determination of programs and activities to be run in each OPD.

Effect of Leadership Style on OPD Performance

Based on the results of hypothesis testing, leadership style variables empirically give a positive influence on the performance of OPD. This is seen in the significance of p-value of <0.001 and coefficient value of 0.417. The results of this study support previous research from Swati (2009) and Izzaty (2011).

This study provides reinforcement of contingency theory, where the performance results of an organization will vary, it illustrates those different organizational characteristics also (Fisher, 1998). With a good leadership style, it will provide a strong influence on employee performance that will impact on organizational performance. The style of leadership applied within the organization must be tailored to the characteristics and willingness of subordinates, so that will produce a maximum performance.

CONCLUSIONS

Based on the results of the above research, the conclusions can be generated, among others, as follows:

1. With the authority of local government in financial management through fiscal decentralization policy, able to push apparatus in every OPD to further improve its service to the public. The authority and discretion in determining the priorities of programs and activities to be run will increase the effectiveness and efficiency of expenditure in each OPD. This will have an impact on the welfare of local communities and the outside community.
2. The results provide empirical evidence that organizational commitment is not a factor that should not be taken into account in relation to OPD performance. This is caused by several factors, including different personal characteristics, in addition to low employee involvement in the work can reduce the level of employee commitment.
3. The results of this study also provide empirical evidence that leadership style greatly affects the performance level of OPD. Respondents assume that the role of leader in influencing the work behavior of subordinates can say to be so good that it will have an impact on organizational performance.

The obstacles encountered in this study generally lie in time. Research is done at the end of the local government budget period. This has implications for the time of data collection, so it takes quite slowly from the predicted researchers.

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