THE ROLE OF E-GOVERNANCE IN INCREASING OF LOCAL GOVERNMENT PERFORMANCE (CASE STUDY IN DEMAK PROVINCE, CENTRAL JAVA, INDONESIA)

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ABSTRACT

The purpose of research is to identify affectivity and efficiency of implementation of E-good governance to increase local government performance in Demak, central java, Indonesia. This research more focuses on how far the capacity of technology information can support increasing of local government performance. There are many factors which affected the capacity of technology information. They are executive capability, financial support and legislative support (Kim & Stuart, 2004) and organization commitment (Osmad, 2006). The support of the fourth factor are many factors which affected the capacity of technology information. The Population of research are all of work unit in local government performance in Demak, central java, Indonesia. While samples were selected used purposive random sampling with criterias: first, work unit had implemented the E-Governance consistently. Second, work unit must report their performance to regional had every year. Regression is used to analyz the data. Based on the research result, we can concluded that the role of e-governance is very big. It is supported by the result of on the regression analyz where degree of significancy more than 1.96. So we can reveals that executive capability, financial support, legislative support and organization commitment have positive effect significantly on work unit performance. This result indicated that all of government organization have to more focus on increasing of technology information capacity.

Keywords: E-Government, executive capability, financial support, legislative support and organization commitment.

INTRODUCTION

On of the local government performance indicator is achievement of independent their citizen prosperous and affluent. It is suitable with statement in 1945 Constitution of The Republic of Indonesia. The constitution mention that to form a government of the state of Indonesia which shall protect all the people of Indonesia and all the independence and the land that has been struggled for, and to improve public welfare, to educate the life of the people and to participate towards the establishment of a world order based on freedom, perpetual peace and social justice, therefore the independence of Indonesia shall be formulated into a constitution of the Republic of Indonesia which shall be built into a sovereign state based on a belief in the One and Only God, just and civilised humanity, the unity of Indonesia, and democratic life led by wisdom of thoughts in deliberation amongst representatives of the people, and achieving social justice for all the people of Indonesia.

Demak Distric is one of Local Government which existing in indonesia, exactly in central java province. To increase their performance Demak District has long away implemented good government governance. Beside that they also has set using of information technology to support implementation of Good Governance. It called by E-Governance. Mario and Brzica (2008) mention that E-government concept originated at the beginning of 21st century, mostly as a copy of e-commerce into public sector. All intentions were directed towards the presence of the public services on the Internet. In the early years of its development, e-government follows the evolutionary e-business evolving model.

In the implementation process, there are many problems which be forced by local government. They are first, Coordination and Controlling of use IT is not yet optimal. Second, Capacity of information technology is not too adequate and less of awareness of using information technology. Thirth, Using of information technology is not optimal, Fourth, less of qualified human resources and fifth, there is no standard of procedure for management information technology system. Based on these problems, this research try to analyse what the type of information technology which suitable with the characteristics of Demak Distric and how about capacity of information technology (software and hardware) in Demak District can support the implementation of good governance. Beside that we also will be asses what the effect of financial and legislative support on the capacity of information technology and how far the effect of using IT on Demak District performance.

LITERATURE REVIEW

E-GOVERNANCE

Mario and Brzica (2008) mention that E-government concept originated at the beginning of 21st century, mostly as a copy of e-commerce into public sector. All intentions were directed towards the presence of the public services on the Internet. In the early years of its development, e-government follows the evolutionary e-business evolving model (Earl in Mario and Brzica, 2008), which in particular means that in the early days of e-government evolvement, primary focus of the e-services was simple appearance of graphic user interfaces with possibilities of interactions. Early enthusiasm during the mean time weakened but such experiences brought crucial acknowledgments. Today, because of those acknowledgments, the focus is on coordination and effective assessment of the needs, efficiency and public benefits for such services. The development of electronic public services
enters in the new phase, which is mostly determined by reengineering of existing processes of public government. Public sector by its nature (based on information and communications) is ideal for international increase of efficiency and quality. Public government disappointment is triggered by bureaucracy, information abuse for internal purposes, increasing cost of transactions and mostly because of lack of responsibility for td, he client. Especially in European countries the problem of ever-growing public sector is present, making the concept the efficient e-government even more important. Regarding the participants engaging in e-government activities, four models can be recognized:
- G2C (Government to Citizens),
- G2B (Government to Business),
- G2E (Government to Employees; which includes workflow management and knowledge management), and
- G2G (Government to Government; which includes Business Process Reengineering and ERP systems).

Based on the relationship between e-governance and information technology (IT), there are two main question which have be answered. First, How to determine the criterias of good governance to use IT themselves. Second, How to set the IT to achive the good governance. In generally, IT and good governance have mutually relationship. Better IT will support implementation of good governance. It means IT which can be acces well, with minimum cost, and public needs responsible, it will accelerate national development.

INFORMATION TECHNOLOGY CAPACITY

Organizational capacities or capabilities are typically defined as an ability of an organization to do something, for example technological capacity is the ability to change or innovate through technological Proceedings of the 37th Hawaii International Conference on System Sciences – 2004 Following this model our general concept of IT capacity for local governments is the ability of the local government to effectively apply IT to achieve desired ends. It is important to note that, the type and amount of IT varies significantly across local governments, even local governments of comparable size and character, but the amount and type of IT does not adequately capture variation in effective use of technology. One reason for this failure is that IT by itself does not accomplish anything without the appropriate human and managerial resources. Over two decades ago, Kraemer and associates found that in order to understand how computers changed organizations, it was necessary to look at the entire “computer package” which encompasses ‘technique’ that is organizational structures and institutional arrangements for maintaining information system, as well as ‘equipment’ (e.g. hardware, software, network) and ‘people’ who operate, process and use the equipment. Thus, IT must be coupled with human and managerial resources in-place to more accurately capture IT capacity as defined above.

The factors found in innovation literature in general as well as IT innovation research may contribute to developing a model to explain what organizational factors are critical to the level of IT capacity. Innovation is a function of the motivation to innovate, the strength of obstacles against innovation, and the availability of resources for overcoming such obstacles. In local governments, therefore, barriers to IT innovation can be resistance from end-users to new information system, top decision makers’ lack of will and understanding about the IT innovation and insufficient support or inappropriate regulations from upper level government. On top of that, IT manager who is not capable of planning and implementing IT innovation projects may hinder the success of IT innovation.

There are many factors have been founded and created in literature and empiric research. It will give contribution in model development about capacity of information technology (Kim & Stuart, 2004). Mohr (2004) mention that innovation is the function of motivation to creat something which effected by two factors. They are the power of constrain that faced and availability of resources to encounter the constrain.
AN INITIAL THEORY OF LOCAL GOVERNMENT INFORMATION TECHNOLOGY CAPACITY

Kim & Stuart (2004) mentioned that the factors found in innovation literature in general as well as IT innovation research may contribute to developing a model to explain what organizational factors are critical to the level of IT capacity. Based on Mohr (2004), innovation is a function of the motivation to innovate, the strength of obstacles against innovation, and the availability of resources for overcoming such obstacles. In local governments, therefore, barriers to IT innovation can be resistance from end-users to new information system, top decision makers’ lack of will and understanding about the IT innovation and insufficient support or inappropriate regulations from upper level government. On top of that, IT manager who is not capable of planning and implementing IT innovation projects may hinder the success of IT innovation.

SUPPORT FROM ADMINISTRATIVE AUTHORITIES

Kim & Stuart (2004) mentioned that Innovation would be more likely when the political environment to which an organization belongs has norms favoring the change. According to Fountain, enacting technology is highly influenced by institutional and political arrangements. Hence, improving IT capacity of local governments depends on whether support from administrative authorities elected or appointed top administrators (mayor or city manager), city council and also state government is available for IT managers who are in charge of implementing IT adoption process and its utilization. Even in the case that IT managers initiate the adoption of new technology, support from administrative authorities may play a significant role in whether the innovation efforts are frustrated or completed. Support from administrative authorities can be expressed in several ways. First, top administrators’ innovativeness is important for mobilizing resources.

IT innovation requires large amount of investments, and its effects are not realized in a short term. To implement IT innovation, top administrators are expected to take the risk of failure or delay of IT adoption. Therefore, the top administrator has to have risk-taking propensity to support IT managers to design and implement IT adoption plan without worrying about the consequence. Second, top administrators’ knowledge of IT should be considered. Top administrators knowledgeable of the potentials of IT are more likely to have more positive attitude to IT innovation and to endorse the innovation initiatives raised by IT managers. Third, legislative body, i.e. city council, is as important as top administrators are, because budget allocation and other legislative supports are finally authorized by city councils. Like top administrators, city councils’ IT innovativeness and knowledge form a crucial part of support from administrative authorities. Fourth, state governments’ influence also needs to be considered. State governments make efforts for state-wide technology diffusion, such as providing information about innovations, financial support during development, and procedural facilitation.

MANAGERIAL CAPABILITY OF IT MANAGER

Kim & Stuart (2004) mentioned that the availability of individuals capable of producing new ideas is one of the significant factors promoting innovation, and innovations are likely to be proposed by individuals who have expertise in a particular area. Especially, IT innovations tend to start from ingenious application devised by managers with a technical background. Therefore, managerial capability of IT manager, which can be defined as the ability to identify problems of the current information system, and to develop and evaluate alternatives to improve the IT capacity of the organization appears to be a decisive factor affecting the IT capacity of local government. This notion of managerial capability conforms to our early definition of capacity in general and IT capacity specifically, as the ability of the local government to effectively apply information technology.

In local governments, an IT manager is in the position of initiating and implementing IT innovation projects. An IT manager’s managerial capability as a change agent can be thought to be composed of knowledge of IT, innovativeness and motivation. Knowledge of IT is an essential part of IT managerial capability. As previously noted, IT encompasses a broad range of technologies. As innovation capability is contingent upon the skill level of the staff, without the comprehensive expertise in IT, IT managers may neither design a plan appropriate to obtaining IT capacity nor gain trust from the administrative authorities whose political supports are essential for executing innovation ideas.

Financial support

Kim & Stuart (2004) mentioned that the availability of financial resources is one of the strongest predictors of innovation. For organizational innovation, especially for adopting advanced IT, financial support is indispensable for procuring and developing adequate levels of hardware and software, and training end-users as needed. Therefore, we can expect that a large variation in IT innovation among city governments can be explained by the amount of budget available to adopting new IT. However, as the size of total budget differs from government to government, the relative proportion of the IT budget in the budget structure could be considered as the criteria to judge the level of financial support.

PREVIOUS RESEARCH

There are many researches about good governance. One of them is Lukita (2009) conducted about implementation of Sarbanise Oxley to support Good Governance in PT. Telkom, Tbk. She founded that there is positive effect of implementation good governance in PT. Telkom Tbk on organization performance. This research was supported by Edy & Marno (2010) reveals about the role good governance to support PNPM Mandiri performance in reducing poverty.
Beside of good governance, there are many factors which will affect organization performance. Edy (2009) founded that using of information technology can support auditor internal performance. This research was supported by (Wigrantoro, 2001) mentioned that information technology is very support implementation state governance. In 2013, oleh edy & Dedi (2013), also concluded that local government performance is affected by three factors. They were good government governance, information technology and strategic human resources management.

This research more focused on the role of information technology to support implementation of good governance. The ability of information technology to increase organization technology has been supported by capacity of information technology. There are many factors which affect the capacity of information technology. Kim & Stuart (2004), mentioned that capacity of information technology is affected by Executif capability, financial and legislatife support. Those factors are very important to determine the success of capacity of information technology to support local government performance. Beside that, Osmaad (2006) added that there is one variable which will support the success of capacity of information technology. It is organization commitment.

Based on the research background and previous research, we can conclude the hypothesis:

H1 : Executive Capability has positive affect on capacity of information technology
H2 : Commitment has positive affect on capacity of information technology
H3 : Financial support can moderate the relationship between Executive Capability and capacity of information technology.
H4 : Financial support can moderate the relationship between Commitment and capacity of information technology.
H5 : Legislative support can moderate the relationship between Executive Capability and capacity of information technology.
H6 : Legislative support can moderate the relationship between Commitment and capacity of information technology.

RESEARCH METHODOLOGY

POPULATION AND SAMPLES

The research population is all of work unit of Demak District about 55 unit. Purposive sampling method is used to collect data with some criterias: first, Work unit of Demak District had implemented E-Governance in their organization more than one years. Second, Work unit of Demak District has budget to support development of the capacity of information technology.

Variable operational definition

This research has five variables. They are two independent variable consist of Executive Capability and Organizational Commitment, two moderating variables consist of Financial and Legislative Support, and one dependent variable Capacity of Information Technology. This research uses questionnaire to describe the standardized operating variables. Previously the validity and the realibility will be tested. In the dimension of strategic Human Resources Management, 5 (five) likert’s scale is used in all questions (1 = Totally Disagree to 5 = Totally Agree). Ordinal scale category is used on some variables through profound interviews. The indicators of each variables can see in table 1.

![Research Model](image-url)
The quantitative analysis is conducted by Partial Least Square (PLS), with the following steps: first, Validity Analysis, to test and confirm that all research instrumnts / indicators represent the proposed variables, which are Economic performance, Social Capital, Social entrepreneurship and the influenced variable i.e. Developed and wealthy people. The indicator that the instruments are valid is the level of correlation with significance less than 0.05. Second, Reliability Analysis, to test the level of consistency of respondents responses, by which cornbach alpha number is attained. The Indicator that the responses are reliable is the high cornbach alpha number ( > 0.7 ; nunnally, 1990). Thirth, Classical Assumption Analysis in form of Normality test, Heterocedastisity, Multi co-linearity and auto-correlation. This test is carried out so that regression will not be BLUE and can be used to predict the equation that will be made. Fourth, Hypotheses Analysis; ANOVA analyst is used to attained both t count value an and the level of determinde significance so that the proposed hypothesis can be tested.

**FINDINGS & DISCUSSION**

This research have 50 sampels consists of officers who work in work unit local government Demak province. The data was asses used Partial Least Squares (PLS). There are three criterias to evaluate outer model. They were convergent validity, discriminant validity and composite reliability. From the fifth variables in this research (Executive Capability (X1), Organization Commitment (X2), Financial Support (X3), Legislative Support (X4), and Capacity of Information Technology (Y)) have loading factor value above 0.5. So all aof variables have cover convergent validity test. It is also with Reliability test, all aof variables have Composite Reliability higher than 0.50. So we can suggest that the data were very reliable.

**Hypothesis Test**
The following is the result of PLS to test each hypothesis:

**Table 2 Hypotheses Test Results**

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Estimate</th>
<th>Sample Mean</th>
<th>Standard Error</th>
<th>T-Statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exec_Cap&gt;Capacity_IT</td>
<td>0.091</td>
<td>0.3691</td>
<td>0.1593</td>
<td>3.6109</td>
</tr>
<tr>
<td>Commitment&gt;Capacity_IT</td>
<td>0.144</td>
<td>0.1815</td>
<td>0.0972</td>
<td>3.1673</td>
</tr>
<tr>
<td>Finance_Supp&gt;Capacity_IT</td>
<td>0.235</td>
<td>0.0161</td>
<td>0.0869</td>
<td>2.4029</td>
</tr>
<tr>
<td>Leg_Supp-&gt;Capacity_IT</td>
<td>0.215</td>
<td>0.2127</td>
<td>0.0289</td>
<td>2.1633</td>
</tr>
<tr>
<td>Exe.Cap*Fin-&gt;Capacity_IT</td>
<td>0.107</td>
<td>0.2346</td>
<td>0.0763</td>
<td>3.2021</td>
</tr>
<tr>
<td>Com*Fin-&gt;Capacity_IT</td>
<td>0.307</td>
<td>0.2346</td>
<td>0.0763</td>
<td>3.4021</td>
</tr>
<tr>
<td>Exe.Cap*Leg-&gt;Capacity_IT</td>
<td>0.468</td>
<td>0.0036</td>
<td>0.0418</td>
<td>2.9178</td>
</tr>
<tr>
<td>Com*Leg-&gt;Capacity_IT</td>
<td>0.272</td>
<td>0.6022</td>
<td>0.0629</td>
<td>2.8735</td>
</tr>
</tbody>
</table>
Based on the result of PLS test on tabel 2, we can see that for the first hypothesis until Sixth hypothesis were excepted. It was support by t-statistik value bigger than t-table value about 1.96. It means that Ho is rejected and Ha is accepted. So it can be seen that variabel Executive Capability (X1), Organization Commitment (X2), Financial Support (X3), and Legislative Support (X4) have positive effect on Capacity of Information Technology (Y). This research support the previous reserach which conducted by Kim & Stuart (2004) mentioned that Executive Capability, Financial Support, and Legislative Support have positive effect on Capacity of Information Technology. It also support Osamid (2006) revealed that organization have commitment positive effect on Capacity of Information Technology.

Based on this result we can see that the role of information technology to support implementation of good governance is very big. So, local government has responsibility to maintain their information technology effectively. They have to redesain their IT so it can synergy with implementation of information technology. Local governments have, for a long time, made use of information technology (IT) to manage public services. Applying IT to government has to consider some factors like Executive Capability, Organization Commitment, Financial Support, and Legislative Support. All of factors is very important for the success of E-Governance. Kim & Stuart (2004) added that they also have to maintain organizational and environmental factors, for example the effect of environmental and organizational factors.

Pathak. (2008) mentioned that Governments now realize that e-Governance is more than just floating government web sites on the Internet. The definition for the purposes of this paper is to characterize e-Governance as a process to make simpler and improve democratic government and business aspects of governance through an application of electronic means in the interaction between citizens and government and businesses and government and also in internal government operations (Backus, 2001). E-Governance represents a significant opportunity to move forward with qualitative, cost effective government services and a better relationship between citizens and government (Fang, 2002). The potential benefits of using ICT in government include, but go beyond, efficiency and effectiveness. By making available interactive access to and use of information by people who use government services e-Governance initiatives hope to empower citizens (Gage, 2002) and improve relationships between governments and citizens by helping build new spaces for citizens to participate in their overall development (Gasco, 2003). Online systems have not only helped achieve efficiency gains by cutting overall time to process applications but also made transactions more traceable, transparent and easier to access (Bhatnagar, 2003). However, if e-Governance initiatives are to curb corruption then the design of such systems needs an appropriate conceptual framework and needs to be understood by policy makers and public managers (Cisar, 2003; Mahmood, 2004; Tangkitvanich, 2003).

CONCLUSION

The conclusion of this research are : first, variabel executive capability, organization commitment, financial support, and legislative support have positive effect on capacity of information technology. The second is Good Governance has positive impact significantly on work unit performance in Demak local Government. Thirth, information technology has positive impact significantly on work unit performance in Demak local Government.

This limitation of the study are the first, performance variabel is just measured from perspection side. It can not reflection of full performance. So the next research expected use others measurement. The second, value of R2 about 20%, means that capacity of information technology variable is effected by four variables (executive capability, organization commitment, financial support, and legislative support) in this model just 20%. It can be seen that performance variable is effected by other variables in outside of the model like politics, birocration, environment and etc.

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Source: The analyzed primary data 2014


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