Does human resource knowledge moderate the effect of good governance and regional financial performance?

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ABSTRACT

This study aims to examine the effect of professionalism, accountability, transparency, excellent service, participation, and rule of law on the regional financial performance of East Tanjung Jabung regency moderated by human resource knowledge. This research was conducted on 89 respondents in 28 OPDs of the Government of East Tanjung Jabung Regency. The data analysis method used SEM-PLS with the WarpPLS 7.0 application. The results of this study indicated that the principles of good governance which referred to Government Regulation Number 101 of 2000 concerning Education and Training for Civil Servant Positions that can positively affect the regional financial performance of East Tanjung Jabung Regency include professionalism, accountability, and participation. Meanwhile, the principles of transparency, excellent service, and rule of law have not been able to maximally affect the regional financial performance of East Tanjung Jabung Regency. Human resource knowledge as a moderating variable was able to strengthen several variables from the principles of good governance, namely human resource knowledge was able to strengthen the effect of professionalism, accountability, transparency, and excellent service. However, the result of research on human resource knowledge was also unable to moderate the effect of participation and rule of law on regional financial performance.

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Introduction

The implementation of regional autonomy is stipulated in Law Number 23 of 2014 concerning Regional Government that causes the government has the authority to regulate and manage the budget provided for the welfare of the local community. APBD is the main source of finance for regional government. APBD management refers to Government Regulation (PP) Number 12 of 2019 concerning Regional Financial Management, as well as Regulation of the Minister of Home Affairs Number 59 of 2007 concerning Guidelines for Regional Financial Management.

Regional financial performance is stated to be good, if the local community can feel welfare from precisely the allocation of the APBD. In this case, the community is the main stakeholder entitled to the realization of the APBD. However, Minister of Finance, Sri Mulyani said that there are several weaknesses of the Regional Government (Pemda) in managing regional finances. Approximately 70% of the budget is used for operational needs, while the budget distributed to the community is very minimal, only around 30% of the total APBD (www.kemenkeu.go.id).

According to Toksoz (2008) good governance has the aim of directing public administration to be more targeted, carry out public administration processes appropriately, preventing corrupt practices, inviting stakeholders to express their opinions to the government, improving the quality of policies made by the government and implemented optimally, maintaining the operation of democracy, strengthen the legitimacy of institutions, and ensure that its policies and practices are carried out in an open and

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understood manner. The implementation of good governance and the implementation of the stipulated APBD management regulations needs the support of qualified knowledgeable human resources (HR).

This study made human resource knowledge as a moderating variable based on the stewardship theory which states that stewards will exert all his abilities and expertises in making their performance effective for the benefit of organizational objectives and also the principal. In this study, human resource knowledge is expected to strengthen the implementation of the principles of good governance in regional government governance. This research was supported by the agency theory of Jensen & Meckling (1976). Agency theory suggests the existence of information asymmetry between agents and principals that can lead to conflict. In this case, the agent is the regional government while the community is the principal. Information asymmetry occurs when the government as the agent that manages APBD has more complex information than the community as a stakeholder. This condition causes the community to be unable to know the true performance of the government. One of the solutions to overcome this gap is to implement good governance in government performance.

Another phenomenon related to the assessment submitted by the Supreme Audit Agency (BPK) in East Tanjung Jabung Regency in 2014-2018. East Tanjung Jabung Regency received the unqualified opinion predicate for two consecutive years after three consecutive years of receiving the qualified opinion predicate. This is an achievement that should be appreciated, because there has been a fairly good performance improvement for the regional government of East Tanjung Jabung Regency. However, in 2018 when East Tanjung Jabung Regency received unqualified opinion predicate, the Head of the Jambi Province BPK Representative to the Regent of East Tanjung Jabung Regency conveyed the need to reform several budget management strategies. Among them is the internal control system that needs to be optimized. Likewise, field supervision of physical construction works and emphasizes the importance of ensuring more seriously all stages of goods and service procurement. (www.tanjabtimkab.go.id).

In addition, East Tanjung Jabung Regency in 2017 experienced a budget deficit of IDR 69,012,498,769.00 (www.tanjabtimkab.go.id) and there were accounts that were displayed as not compatible with Government Accounting Standards (SAP) on LKPD in 2016. (IHPS 1 of 2017). In fact, in previous years, East Tanjung Jabung Regency has always experienced a budget surplus (www.tanjabtimkab.go.id).

Previous research that raised the topic of good governance in regional government performance, namely the results of studies (Maulamin, Cholikh, & Alawiah) 2018, (Suartana & Yang) 2019, (Anggreni, Widanaputra, & Putri) 2018, (Dedy) 2009, (Riantiarno, Saleh, & Said) 2011, (Badruzaman & Irna) 2012 and (Iswahyudi, Triyuwono, & Achsin) 2016 only use four principles, namely participation, accountability, independence and transparency which refers to the UNDP (Human Development Report). In contrast to this study, this study tries to examine the six principles of good governance stipulated in Government Regulation Number 101 of 2000 concerning Education and Training for Civil Servant Positions, regional financial performance, and human resource knowledge, namely professionalism, accountability, transparency, excellent service, participation, and rule of law.

Research questions in this study are :

- i. Does professionalism, accountability, transparency, excellent service participation, and rule of law affect regional financial performance in the government of East Tanjung Jabung Timur Regency?
- ii. Does human resource knowledge affect regional financial performance in the government of East Tanjung Jabung Timur Regency?
- iii. Does human resource moderate the influence of professionalism, accountability, transparency, excellent service participation, and rule of law on the regional financial performance of East Tanjung Jabung Timur Regency?

This study was a quantitative study with a study model composed of several variables and also used a moderating effect. This study used statistical technique of Structural Equation Modelling (SEM) was used with the help of WarpPLS 7.0. The samples in this study are 4 respondents per 28 OPDs in the government of East Tanjung Jabung Timur Regency, so that it consisted of 112 samples.

Literature review

Theoretical and Conceptual Background

Agency theory explains the agency relationship occurs when the principal employs an agent to provide services, which then delegates authority in the decision-making process to the agent (Jensen & Meckling, 1976). In the context of government, the agency relationship can be seen from the delegation relationship, meaning that the community delegates representatives to get positions in the government. The regional government in managing regional finances has full information on APBD funds and their allocation, while the community as the principal does not fully know about the APBD information managed by the government, and this can lead to information asymmetry between the government and the community. Agency theory offers a solution to the information asymmetry between principals and agents. According to agency theory, a good corporate governance mechanism is able to optimize an organization's ability to deal with existing problems and reduce agency conflicts (Haniffa & Cooke, 2002).

Stewardship theory which explains that management tendencies do not only focus on individual objectives but are more concerned with organizational objectives (Donaldson & Davis, 1991). Stewardship theory puts the interests of the community as a priority that

must be done, so that the public sector is required to always be oriented towards continuous improvement in performance for the purpose of the interests of the organization (principal).

In applying the principles of good public governance, it is necessary to have human resources who have capable knowledge and intellectual. So the implementation of the principles of good governance can be carried out effectively and efficiently. Basically, human resource is a determinant of the success of the implementation of organizational activities (Tanihatu, Sutrisno, Nurkholis, & Andayani, 2019). Therefore, the competence of human resources at every level of management is the most important thing both at the level of the leader and its members (Syaifullah, 2014). In this study, human resource knowledge is expected to strengthen the implementation of several good governance principles in regional government governance.

Similar studies were also proven by Rosmiah, Saleh, & Said (2019), Badu, Awaluddin, & Mas'ud (2019), (Bobbie, 2017), Dedy (2009), Badruzaman & Irna (2012), (Jatmiko, 2020) that good governance had a positive effect on regional financial performance.

Regional Financial Performance

Permendagri No. 13 of 2006 says that performance is the output or result of an activity or program that will be achieved in accordance with the use of the budget with measurable quality and quality. Regional government financial performance is the level that comes out of work in the regional finance including regional revenues and expenditures by using financial indicators that are determined by policies or statutory provisions during one budget period (Oktasari, 2017).

Good Governance

According to the Indonesia Institute for Institute for Corporate Governance ((IICG), 2015)), there is a non-public sector organizational dimension, namely corporate governance as a series of mechanisms that direct and control companies to run according to stakeholder expectations. Corporate governance is not only defined as the fulfillment of regulatory compliance and conformance with best practices (conformance), but must also demonstrate performance and create value ((IICG), 2015).

Human Resouce Knowledge

Based on the Law of the Republic of Indonesia Number 20 of 2003 concerning the National Education System, knowledge is part of competence. In article 1, paragraph 10 of Law no. 13 of 2003 concerning Manpower, states that competence is the ability to work of each individual which includes aspects of knowledge, skills and work attitudes that are in accordance with established standards. Increasing welfare in organizations does not depend on land, equipment, or energy or resources, but on the competence of knowledge (knowledge) from employees or human resources (Moeheriono, 2014).

Hypotheses

Based on the theoretical and conceptual explanation above, the following hypothesis can be formulated:

- H1a: Professionalism has a positive effect on the regional financial performance of East Tanjung Jabung Regency
- H1b: Human resources knowledge strengthens the effect of professionalism on the regional financial performance of East Tanjung Jabung Regency
- H2a: Accountability has a positive effect on the regional financial performance of East Tanjung Jabung Regency
- H2b: Human resource knowledge strengthens the effect of accountability on the regional financial performance of East Tanjung Jabung Regency
- H4a: Excellent Service has a positive effect on the regional financial performance of East Tanjung Jabung Regency
- H4b: Human resources knowledge strengthens the effect of excellent service on the regional financial performance of East Tanjung Jabung Regency
- H5a: Participation has a positive effect on the regional financial performance of East Tanjung Jabung Regency
- H5b: Human resources knowledge strengthens the effect of participation on the regional financial performance of East Tanjung Jabung Regency
- H6a: The rule of law has a positive effect on the regional financial performance of East Tanjung Jabung Regency
- H6b: Human resource knowledge strengthens the effect of rule of law on the regional financial performance of East Tanjung Jabung Regency
- H7: Human resource knowledge has a positive effect on the regional financial performance of East Tanjung Jabung Regency

Research and Methodology

Population and sample

The population in this study was the staff of the Regional Apparatus Organization (OPD) of East Tanjung Jabung Regency, Jambi province. Meanwhile, the number of samples in this study was 4 respondents per 28 OPDs in this regency, so that it consisted of 112 respondents. The criteria for selecting samples in filling out the questionnaire were as follows: (1) OPD Head of East Tanjung Jabung Regency, Jambi. (2) OPD Secretary of East Tanjung Jabung Regency, Jambi. (3) Head of Sub-Section of Finance OPD, East Tanjung Jabung Regency, Jambi. (4) Head of Sub-Section of OPD Staffing and General Affairs of East Tanjung Jabung Regency, Jambi.

Sources and Types of Data

The data source of this research was obtained from primary data. Primary data collection related to regional financial performance, good governance variable and human resource knowledge by distributing questionnaires to respondents directly submitted to several OPD members of East Tanjung Jabung Regency, Jambi who had met the criteria.

Variable definition and variable measurement

Endogenous Variable

Regional government financial performance is the regional capability to obtain and manage regional finances that are used to meet regional operational needs and the implementation of government systems, public services and regional development. Therefore, funds disbursed for regional operations should be useful and used for the benefit of the community, meet public needs, and follow the demands of the community, and be accountable professionally to the community (Halim & Kusufi, 2018).

Exogenous Variable

Professionalism: Professionalism is the employee capability to serve the public in a good, fair and inclusive manner. Therefore, an employee has a demand to have competence in understanding and respecting the aspirations and needs of the public, which are applied in public activities (Riyanto, 2014).

Accountability: Djalil (2014) explains that financial accountability is a process of being accountable for financial integrity, presentation and compliance with applicable regulations.

Transparency: Transparency is the openness of all programs and policies made by the government. The principle of transparency demands the creation of openness in the implementation of decision-making and openness to provide and convey information.

Excellent Service: Public service by the government is a manifestation of the state's function which acts as a state servant in providing services to the community. The emergence of public services comes from the needs and interests of individuals and groups of community.

Participation: Participation refers to community participation during the process of creating and making decisions or policies related to government implementation (Solihin, 2007).

Rule of Law: Rule of law can be interpreted as an effort in law enforcement and place the law as the highest position in a country that can be used to protect all levels of community without intervention or interference from any party including state officials.

HR Knowledge: Knowledge describes the cognitive abilities of employees, which can be seen from their skills in recognizing, understanding, realizing and comprehend fully to all the tasks assigned to them.

Variable Indicators and Measurements

The research variable of this study was measured using the research indicators used by previous research. Professionalism variable uses the Riyanto (2014) research indicators. Accountability variable uses the Solihin (2007) research indicators. Transparency variable uses the Krina (2003) research indicators. Excellent service variable uses the Decree of Minister of State Empowerment Number 63/KEP/M.PAN/7/2003. Participation variable uses the Solihin (2007) research indicators. Rule of law variable uses the Solihin (2007) research indicators. Human resource knowledge uses the Yosefriand (2013) research indicators. The regional financial performance uses Zulkarnain (2020) research indicators.

Answers from respondents were divided into five categories of assessment where each question was given a score of 1-5, the scores given were: (1) score 1 = totally agree, (2) score 2 = agree, (3) score 3 = neutral, (4) score 4 = disagree, (5) score 5 = totally disagree.

Analysis

This study was a quantitative study with a study model composed of several variables and also used a moderating effect. Thus, in order to test the hypothesis in this study, the statistical technique of Structural Equation Modelling (SEM) was used with the help of WarpPLS 7.0.

Model Evaluation of Research Hypothesis

Model evaluation in this PLS was by evaluating the outer and inner models. The outer model is a measurement model to find out its validity and reliability.

Table 1: Validity Test Parameters in the PLS Measurement Model

Test	Parameter	Rule of Thumbs
Convergent	Average Variance Extracted (AVE)	- > 0.5
	Factor Loading	- > 0.7
	Communality	- > 0.5
Discriminant	Ave Root and Latent Variable Correlation	- AVE root > Latent variable correlation
	Cross Loading	- > 0.7 per variable
Reliability	Cronbach's Alpha	- > 0.6
	Composite Reliability	- > 0.6

Source: Abdillah & Hartono (2015:196-197)

Hypothesis Test

The structural model relationship patterns to be tested in this study are as follows:

$$KKD = \gamma_1 PF + \gamma_2 AKT + \gamma_3 TR + \gamma_4 PP + \gamma_5 PRT + \gamma_6 SH + \gamma_7 SDM + \gamma_1 PF * SDM + \gamma_2 AKT * SDM + \gamma_3 TR * SDM + \gamma_4 PP * SDM + \gamma_5 PRT * SDM + \gamma_6 SH * SDM + \epsilon$$

Information:

- KKD : Regional financial performance
- PF : Professional
- AKT : Accountability
- TR : Transparency
- PP : Excellent Service
- PRT : Participation
- SH : The rule of law
- SDM : Human resource knowledge
- γ : Coefficient of effect of exogenous latent variables on endogenous variables
- ϵ : Probability of model error

Hypothesis test in this study was carried out using PLS analysis in the following ways:

- i. Determine the significant level or critical value (α), which is 5%.
- ii. Using the path coefficient value or t-statistic for each path to test the significance between variables. The path coefficient value can be explained through the t-statistic value. The t-statistic value will be compared with the t-value. The t-value for the one-tailed hypothesis is 1.65. If the t-statistic value is ≤ 1.65 then the hypothesis is accepted, otherwise if the t-statistic value is ≥ 1.65 then the hypothesis is rejected

Moderation Variable Test

The moderation effect shows the interaction between moderating variable (human resource knowledge) and exogenous variable (good governance) in affecting endogenous variable (the regional financial performance of the East Tanjung Jabung government). Test of the moderation effect can be carried out in stages using the Baron and Kenney approach in Abdillah & Hartono, (2015:230), namely:

- i. Testing the main effect, namely the effect of good governance on the regional financial performance variables of the East Tanjung Jabung government.
- ii. Testing the effect of the interaction between the variables of good governance and of human resource knowledge (moderating variable) on.

Findings and Discussion

The object of this study was the East Tanjung Jabung Regency Government. In this Regency there were 28 OPDs. The data in this study were primary data obtained by distributing questionnaires to several respondents of 89 respondents from a total of 112 research questionnaires distributed to respondents in East Tanjung Jabung Regency Government OPD, as many as 89 research respondents have been accepted.

Measurement Model Test

Evaluation of Reflective Construct Convergent Validity

This evaluation functions to find out the value of the loading factor for each indicator. The results of the convergent validity test of all constructs in the study showed several indicators with a factor loading value below 0.7. These indicators were still used, in this study with reference to the statement of Sholihin & Ratmono, (2013:66) that indicators with a factor loading value between 0.4-0.7 can still be used.

Table 2: Reflective Construct Convergent Validity Test Results

Variable	Outer Loading Factor	P Value	Information
Professionalism (X1)	0.915	<0.001	Valid
Accountability (X2)	0.876	<0.001	Valid
Transparency (X3)	0.744	<0.001	Valid
Excellent Service (X4)	0.797	<0.001	Valid
Participation (X5)	0.863	<0.001	Valid
Rule of law (X6)	0.899	<0.001	Valid
HR Knowledge (M)	0.549	<0.001	Valid

Source: WarpPls output

Formative Construct Convergent Validity Test

The results showed that all instrument indicators in the regional financial performance construct had a p value below 0.05 and all indicators had a VIF value below 3.3 as shown in the table below, so it can be concluded that the regional financial performance construct has met convergent validity.

Table 3: Table of Formative Construct Convergent Validity Test Results

Indicator	VIF	Loading	P Value	Information
Y.1	1.042	0.316	<0.001	Valid
Y.2	1.124	0.509	<0.001	Valid
Y.3	1.129	0.517	<0.001	Valid
Y.4	1.029	0.250	<0.001	Valid

Source: WarpPls output

Evaluation of Discriminant Validity

This evaluation analysis was through the comparison between the root AVE values with the correlation between constructs in the structural model. Evaluation of the AVE root was carried out by comparing the AVE root value with the correlation between its constructs. If AVE root value is greater than the correlation between constructs, good discriminant validity is achieved.

Table 4: Discriminant Validity Test (Root of AVE)

Variable	X1	X2	X3	X4	X5	X6	M	Y
Professionalism	0.888	0.670	0.572	0.552	0.235	0.379	0.202	0.208
Accountability	0.824	0.824	0.598	0.722	0.410	0.503	0.342	0.167
Transparency	0.744	0.598	0.744	0.699	0.482	0.450	0.363	0.084
Excellent Service	0.739	0.722	0.699	0.739	0.577	0.491	0.470	0.185
Participation	0.831	0.410	0.482	0.577	0.831	0.670	0.489	0.132
Rule of Law	0.873	0.503	0.450	0.491	0.670	0.873	0.337	0.019
HR Knowledge	0.679	0.342	0.363	0.470	0.489	0.337	0.679	0.139
Regional Financial Performance	0.602	0.167	0.084	0.185	0.132	0.019	0.139	0.602

Source: WarpPls output

Based on the table above, it is known that the AVE root square value on the latent variables of professionalism (X1), Accountability (X2), Transparency (X3), Excellent Service (X4), Participation (X5), Rule of Law (X6), Human Resource Knowledge (M), and Regional Financial Performance (Y) was greater than the correlation between these constructs, so it can be stated that the discriminant validity, the measurement model was good and has met the discriminant validity.

Construct Reliability Test

Reliability indicates the accuracy, consistency and precision of the measuring instruments used in the study. A construct is declared reliable if it has a composite reliability value > 0.700 (Sholihin and Ratmono, 2013:125). The results of testing the data of this study indicated that all constructs had a composite reliability value above 0.70, so the conclusion is that all constructs in this study have met the reliability test. The results of the evaluation of construct reliability in the table are as follows:

Table 5: Construct Reliability Test

Variable	Composite Reliability	Cronbach Alpha	AVE
Professionalism	0.937	0.909	0.788
Accountability	0.913	0.881	0.679
Transparency	0.785	0.686	0.554
Excellent Service	0.929	0.915	0.546
Participation	0.898	0.846	0.691
Rule of Law	0.905	0.843	0.762
HR Knowledge	0.765	0.627	0.561

Source : WarpPLs output

Structural Model Testing

Assessment of Coefficient of Determination

Table 6: Result of Coefficient of Determination

Endogenous Variable	R Square
Y	0.305

Source: WarpPLs output

The result of the coefficient of determination obtained from the R Square value of 0.305, which means that all exogenous variables with moderating variables have an effect of 30.5% on endogenous variables of regional financial performance (Y), while 69.5% were explained through constructs that were outside the this research model.

Figure 1: Research Model with Partial Least Square

Goodness of Fit

This assessment on Partial Least Square (PLS) using warpPLS can be carried out by looking at some of the references given by (Kock, 2013). The several criteria for the goodness of fit of the structural model in PLS using warpPLS are described in table 7.

Table 7: The goodness of fit of the structural model in PLS using warpPLS

Criteria	Result	Criteria	Information
Average path coefficient (APC)	0.211 (P = 0.009)	P < 0.05	Good fit
Average R-squared (ARS)	0.305 (P = <0.001)	P < 0.05	Good fit
Average adjusted R-squared (AARS)	0.185 (P = <0.001)	P < 0.05	Good fit
Average block VIF (AVIF)	3.757	≤ 5.0	Good fit
Average full collinearity VIF (AFVIF)	4.250	≤ 5.0	Good fit
Tenenhaus GoF (GoF)	0.486		Large
Sympton's paradox ratio (SPR)	0.692	≥ 0.7	Marginal fit
R-squared contribution ratio (RSCR)	0.852	≥ 0.9	Marginal fit
Statistical suppression ratio (SSR)	0.692	≥ 0.7	Marginal fit
Nonlinear bivariate causality direction ratio (NLBCDR)	0.692	≥ 0.7	Marginal fit

Source: WarpPLs output

Hypothesis Test Results**Table 8:** Hypothesis Test Results

<i>Direct Effect</i>				
Hipotesis	Effect	Path Coefficient	P Value	Information
H1a	X1 → Y	0.067	0.026	Accepted
H2a	X2 → Y	0.218	0.016	Accepted
H3a	X3 → Y	0.054	0.058	Rejected
H4a	X4 → Y	0.023	0.064	Rejected
H5a	X5 → Y	0.032	0.018	Accepted
H6a	X6 → Y	-0.026	0.402	Rejected
<i>Moderating Effect</i>				
H1b	M*X1 → Y	0.171	0.047	Accepted
H2b	M*X2 → Y	0.210	0.019	Accepted
H3b	M*X3 → Y	0.229	0.011	Accepted
H4b	M*X4 → Y	0.898	<0.001	Accepted
H5b	M*X5 → Y	0.124	0.113	Rejected
H6b	M*X6 → Y	-0.529	<0.001	Rejected

Based on the table above, it can be seen that H1a, H1b, H2a, H2b, H3b, H4b, H5a, H7 were accepted, while H3a, H4a, H5b, H6a and H6b were rejected.

Discussion**The Effect of Professionalism on Regional Financial Performance**

The result of hypothesis 1a test which states that Professionalism has a positive effect on Regional Financial Performance, was accepted. The result of this study was in accordance with the result of studies by Rosmiah, Saleh, & Said, (2019), Badu, Awaluddin, & Mas'ud, (2019), Bobbie, (2017) who report that professionalism had a positive effect on regional financial performance. This study indicated that the Government officials of the East Tanjung Jabung Regency have implemented the principles of professional good governance which had a positive impact on the regional financial performance of the East Tanjung Jabung Regency Government.

Human resource knowledge moderates the effect of professionalism on the regional financial performance of East Tanjung Jabung Regency

Hypothesis 1b states that human resource knowledge strengthens the effect of Professionalism on Regional Financial Performance. The test results showed that the interaction between human resource knowledge and professionalism had an effect on regional financial performance, so hypothesis 1b was accepted. The result of this study was in accordance with the stewardship theory which states that the existence of Regional Government as a trustworthy organization. The government as a steward will mobilize all of its capabilities and expertise in effective performance in accounting for the finances submitted to it, so that the objectives of the organization were met, as well as the welfare of the community.

The Effect of Accountability on Regional Financial Performance

Hypothesis 2a states that accountability has a positive effect on regional financial performance. The test results indicated that accountability had a positive effect on the regional financial performance of East Tanjung Jabung Regency, so the hypothesis was accepted. This was in line with research by Dedy (2009), Badruzaman & Irna (2012), which proves that accountability had a positive

effect on regional financial performance. This study showed that the Government officials of the East Tanjung Jabung Regency have implemented the principle of good governance accountability which had a positive impact on the regional financial performance of the East Tanjung Jabung Regency Government. The results of this study also supported the assumption of agency theory which says that this accountability is a logical consequence of the relationship between agents and principals (Kholmi, 2017).

Human resource knowledge moderates the effect of accountability on the regional financial performance of East Tanjung Jabung Regency

Hypothesis 2b states that Human Resource Knowledge strengthens the effect of Accountability on Regional Financial Performance. The result of several tests above showed that the interaction between human resource knowledge and accountability had an effect on regional financial performance, so hypothesis 2b was accepted. The result of this study supported the stewardship theory which assumes that in public sector agencies, accountability is a broader concept of stewardship which is the obligation of the government as steward to account for its program to the community as the principal who has the right to hold it accountable (Mardiasmo, 2009).

The Effect of Transparency on Regional Financial Performance

Hypothesis 3a states that transparency has a positive effect on Regional Financial Performance. This study showed a different thing, namely transparency had a positive but not significant effect on the regional financial performance of East Tanjung Jabung Regency, therefore the hypothesis was rejected. This result was different from the result of studies from Maulamin, Cholik, & Alawiah (2018), Suartana & Yang (2019), Anggreni, Widanaputra, & Putri (2018), Dedy (2009), Riantiarno, Saleh, & Said (2011), Badruzaman & Irna (2012) who prove that transparency had a positive effect on regional financial performance.

Human resource knowledge moderates the effect of transparency on the Regional Financial Performance of East Tanjung Jabung Regency

Hypothesis 3b states that Human Resource Knowledge strengthens the effect of transparency on Regional Financial Performance. The test result above showed that the interaction between human resource knowledge and transparency affects regional financial performance, so hypothesis 3b was accepted. The result of this study was also in line with the study by Nasution (2015) which reports the effect of Human Resource competence in realizing good governance, including the principle of transparency in the Inspectorate of North Labuhanbatu Regency. From the result of this study, it proved that the OPD apparatus of the East Tanjung Jabung Timur Regency Government already has knowledge of the importance of transparency for regional financial performance based on Government Regulation Number 71 of 2010 concerning Government Accounting Standards. However, the Government of East Tanjung Jabung Regency has not been able to maximize the application of transparency, this was proven from the result of the hypothesis that transparency had a positive effect on regional financial performance, was rejected.

The Effect of Excellent Service on Regional Financial Performance

Hypothesis 4a states that excellent service has a positive effect on regional financial performance. The test result showed that excellent service had a positive but not significant effect on the regional financial performance of East Tanjung Jabung Regency, meaning that the hypothesis was rejected. The result of this study did not support the study of (Hendra, 2018) which proves public service indicators according to Ministry of State Apparatus Empowerment Number 63/KEP/M.PAN/7/2003 concerning the basis, principles and standards of public services had a positive effect on the Integrated Licensing Service Agency of Riau Province.

Human resource knowledge moderates the effect of Excellent Service on Regional Financial Performance of East Tanjung Jabung Regency

Hypothesis 4b states that Human Resource Knowledge strengthens the effect of participation on Regional Financial Performance. The test result showed that the interaction between human resource knowledge and participation affects regional financial performance, so hypothesis 4b was accepted. The result of this study supported the stewardship theory, that the government can behave well in serving the community with all its capabilities and knowledge for the public interest as a party that has an interest in the results of government performance.

The Effect of Participation on Regional Financial Performance

Hypothesis 5a states that participation has a positive effect on regional financial performance. The test result showed that participation had a positive effect on the regional financial performance of East Tanjung Jabung Regency, meaning that the hypothesis was accepted. The result of this study was in accordance with the assumptions of agency theory that conflicts of interest between the government (agents) and the community (principals) can be seen where the government better understands all government policies and performance systems than the community, this can lead to information asymmetry, namely information imbalance between community and government. However, by applying the principle of participation in which participation is one of the principles of good governance offered by agency theory itself as a solution to avoiding these conflicts of interest. This community participation will create a system that is transparent, accountable and predictable. Based on this explanation, it can be concluded that the higher level of public participation in development activities, it can support the achievement of good governance (Waheduzzaman, 2008).

Implications

Theoretical Implications

The results of this study proved empirically about the concept of agency theory, which assumed that good governance is able to reduce the possibility of conflict of interest between the government (agents) and community (principals). The government that implements good governance in carrying out the wheels of government will greatly help the community as parties who have an interest in the results of government performance.

The results of this study also proved empirically on Results of this study also provide empirical evidence on the theory of stewardship in public sector institutions, in order to carry out the responsibility of Regional Government (steward) to direct all of its capabilities and competencies to make all principles of good governance effective for regional financial performance in the interests of community as trustee (principal).

Practice Implications

This research showed the success related to the regional government financial performance. The success of regional government financial performance will be created if each regional government OPD implements the principles of good governance in an orderly manner, along with improving human resource knowledge in a sustainable manner. The results of this research can be as a guideline for government officials to always strive to create good financial performance for the welfare of community by implementing good governance in government organizations and of course with the help of knowledge and experience. This research proved empirically that it can be used by the Government of East Tanjung Jabung Regency to evaluate on regional financial performance, implement good governance so that it can be maximized and orderly improves the human resource knowledge of the East Tanjung Jabung regional government.

Policy Implications

From the policy aspect, the results of this study can be used as a reference to assist leaders in taking further policy directions, especially those related to improving the success of regional financial performance, improving the implementation of good and sustainable principles of good governance, as well as being a reminder to always have a policy to train the skills and knowledge of human resources as the most important component for the successful achievement of regional government financial performance.

Conclusions

The results of this study indicated that the principles of good governance which refer to Government Regulation Number 101 of 2000 concerning Education and Training for Civil Servant Positions that can positively affect the regional financial performance of East Tanjung Jabung Regency, including professionalism, accountability, and participation. Meanwhile, the principles of transparency, excellent service and the rule of law have not been able to maximally affect the regional financial performance of East Tanjung Jabung Regency.

Human resource knowledge as a moderating variable was able to strengthen several variables from the principles of good governance, namely human resource knowledge was able to strengthen the effect of professionalism, accountability, transparency, and excellent service. This explains that, when regional government officials have good knowledge, they will be able to carry out the principles of good governance, namely professionalism, accountability, transparency, and excellent service as well, which in turn will improve regional financial performance. However, the results of research on human resource knowledge were also unable to moderate the effect of participation and the rule of law on regional financial performance.

Limitations and Suggestions

This study has several limitations that can be used as evaluation material for future researchers. The limitations encountered in this study are:

- i. Data collection was not carried out at the time of distributing the questionnaire, but researcher took it after the questionnaire was filled in. This can cause researchers to be unable to ascertain whether the answers to the questionnaire have been answered by parties who match the sample criteria. Suggestions for future researchers, researchers should be able to see and supervise respondents when filling out the questionnaire, so that the accuracy of the answers from the questionnaire is more reliable.
- ii. This research was conducted limited to OPDs in the area around East Tanjung Jabung Regency, while OPDs outside the East Tanjung Jabung area were not selected as samples due to geographic conditions that were difficult to reach. Suggestions for further researchers can add to the overall research object in order to obtain more comprehensive research results.

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