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The Influences of Competence and Motivation on Performance by Way of Reward as Moderating Variable

(A Case Study in Regional Financial Management of Bulungan Regency Administration)

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Abstract :This study aimed at analyzing and examining the influences of competence and motivation on the regional finance management performance using regional performance incentive/reward as moderating variable. The employed analysis mode is PLS (Partial Least Square). The study was carried out at the regional work units in Bulungan. The sampling technique was purposive sampling. The results of this study indicates that competence and motivation variable positively influence the performance of regional financial managers. Performance financial incentive has yet to be proven to strengthen competence effect on the performance of regional financial managers, but it has proven to strengthen the influence of motivation on the performance of the regional financial managers. Thus, it can be concluded that the higher the competence and motivation of regional financial managers, the performance will increase. The employees' motivation are increasing when policymakers reward them the incentive as an appreciation to achieve better performance.

Keywords : competence, motivation, performance, regional performance incentive

INTRODUCTION

The carrying out of the regional administration' authority is enacted in law Number 32 Year 2004 in subject of regional Governance, which then preceded with the issuance of law NO 33 Year 2004 as to Financial Balance Between Central Administration and Local Administration resulting in the local obligation and right can be assessed by way of cash so that there should be a management on the regional finance. Regional Finance Management is the whole activities covering planning, execution, administration, reporting, accountability, and regional finance monitoring. In fact, managing regional finance is not simple, the regional administration must

optimize all resources in their disposal, one of them is human resource. Pradiningrum, Lestari, dan Santoso (2013) stated that the most significant component to drive organization to reach out its objective is human resource.

The overview result of semester I monitoring, Year 2016 on Central Administration, Regional Administration, and State/Regional-Owned Enterprises, generally Audit Board of Indonesia disclosed 10.198 findings containing 15.568 problems, covering 7661(49%) the shortcoming of Internal Control System and 7907 (51%) non-compliance problems upon legislative provision of 44.68 zillions. As for the financial management performance in Bulungan Regency Administration had yet to be superlative and had yet to meet with organization' expectation. That performance was evidenced through Audit Board of Indonesia letter, North Borneo Representative Number:04.A/LHP/XIX.TJS/V/2016 on May 12th, 2016 in subject of Audit Result Report (LHP) in regard with Regional Administration Financial Statement, Bulungan Regency 2015 fiscal year, Audit Board of Indonesia (BPK) had rated Qualified opinion. That opinion was taken aview in the basis of the equity of financial statement presentation, internal control system, and legislative provision compliance. BPK still found non-complying acts on the regulation, mismatches on the financial statement, and less-effective internal control system.

To head towards optimum performance must be backed with highly-competent and highly-motivated resources and proper reward, yet generally with regard to BPK' findings that as for the time being, Indonesia lacked on accounting-graduate human resources. Rewarding officers as motivations is still deemed not feasible in concert with the salary system in this country. Rusli (2013) affirmed that to refine the welfare and apparatus performance, the administration enacted remuneration policy. This policy is expected to be able to create anew wayout upon the phenomenon currently negatively stereotyping of apparatus. Worse, as for the rampant hot topic on the corruption act of the officers happening in every state institutions both in central and regional administration. In concert with Rusli, Anita (2015) argued that compensation rewarding to Public Officers was related to the attempt to improve public service. The salary addition rewarding basis was in assent with Government Regulation Number 58 Year 2005 in subject of Regional Financial Management.

This study refers to Safwan's (2014) study. The relevance of research with Safwan (2014) is about the purpose of research, namely to determine the influence of competence and

motivation on the performance of regional financial management. The difference of this research from Safwan (2014) is the object of research, Safwan (2014) the object of research is the Pidie Jaya Regency' administration. On the other hand, the object of this research is Bulungan District Administration considering different object of research, hence, employee behavior is also different which also possibly influences to analysis result. This research adds reward variable as moderation variable. Contingency approach is done by assigning rewards as moderating variables designed as management control system to achieve organization goals. The researcher chooses the regional performance allowance as a moderating variable because the TKD is short term, considering the Government Regulation Number 58 Year 2005 that the regional performance allowance is given should consider the regional financial capacity and the approval of the local legislatures. The motivation of this research is to know the variables of moderation (incentive) to strengthen or weaken the influence of competence and motivation to the performance of local financial manager, considering that the reward in the form of performance allowance for several years has not seen any special impact to the performance of regional financial manager. Therefore, this study aims to 1). Test and analyze the influence of competence and motivation on the performance of local financial manager, 2). Testing and analyzing regional performance allowances strengthens / weakens the influence of competence on the performance of financial managers Bulungan District, and 3). Testing and analyzing local performance allowances strengthens / weakens the influence of motivation on the performance of financial manager of Bulungan District.

LITERATURE REVIEW AND HYPOTHESES

Agency Theory

The agency theory tends to emphasize contracts' efficient arrangement on the relationship between the principal and the agent. The efficient contract is a contract explaining the rights and obligations of both parties to minimize conflict between the two parties. Eisenhardt (1989) stated that agency theory was eminently employed as the basis of theory that explained research in the field of accounting, economics, finance, marketing, political sciences, organizational behavior and sociology. Three important assumptions underlying agency theory are: a) Assumptions of human nature (human assumption). The assumptions of the basic traits are compartmented into three, namely: Self interest, namely human nature to prioritize self-

interest. Bounded rationality, that is human nature that has limited rationality. Risk aversion, the human nature that prefers to avoid the risk. b) Organizational assumptions, these organizational assumptions are grouped into three: Conflict as the participant's objective, Efficiency as a criterion of effectiveness and Asymmetry of information between the principal and management / agent. c) Information assumption, information assumption is an assumption that information is a commodity that can be purchased.

Theory of Hope

The ego of every individual always wants a good result, then the driving force that motivates one's work spirit is contained in the hope that will be obtained in the future. This theory of hope was put forward by Vroom (1964) cited by Hasibuan, (1994-183) that the height of one's motivation is determined by three components: Expectation (expectation) of success on a task, Instrumentalist, the judgment of what would happen if succeed in performing a task (the success of the task to get a particular outcome), and Valence, that is response to outcomes such as positive feelings, neutral, or negative. A person's motivation is high if effort produces something that exceeds one's expectations and motivation is low if the effort made produces not as expected. Gitosudarmo and Sudita (2000; 44) that work performance is a combination of multiplication between ability, effort, skill and clarity of duties and responsibilities. If they are motivated to use the effort or ability, then the achievement will be better.

Contingency Theory

The contingency approach argues that the design and control system is dependent on the organizational context in which the control is carried out by Purwati and Zulaikha (2006). The management accounting system depends on the situational factors present in each situation. A contingent approach to management accounting studies is needed to evaluate conditional factors that lead to more effective management control systems. Better relationship between the control system and the contingency variable is expected to improve organization performance. Gerdin and Greeve (2008) in Sudiarianti (2015) stated that contingency approach could be performed unless fulfilling the assumptions that became the ideas of contingency approach as follows: (a) there are no superlative organization design, exactly structured and uncertainly structured,

implemented in an organization and (b) that various organization design possessed result opportunity of equal performance.

Competence

With regard with Spencer and Spencer (1993:9) argued that competence was as someone's fundamental characteristics and related to the individual performance effectiveness in running their jobs. The signification of that characteristic is a part of inner personality and embedded to someone as well as predictable personality in various circumstances and work task. The explanation of article 3 on PP Number 101 Year 2000 in subject of Public Officers Title Education and Training. In assent with that competence depiction, it can be inferred that competence is an ability and characteristic to carry through or perform a particular work or task in the basis of skill and knowledge as well as supported by work ethic.

Motivation

In assent with Hasibuan (1994:159) Motivation is one's desire stimulant and work will drive and every motivation has its particular objective to achieve. Motivation study was introduced by McClelland (1961) stating that there are three kinds of human necessities, such as: Necessity to Achieve is an reflection from encouragement of responsibility for problem solving. An officer who has necessity will achieve high and tend to dare to take risk. The necessity to achieve is a necessity to perform job better than before, always motivated to get high achievement; Necessity to affiliate is the necessity to affiliate is an initiative to interact with others, stay along with others, unwilling to harm others and necessity for power is the necessity for power is a reflection of an urge to claim an authority of possessing influence upon other people.

Reward

Giving rewards to employees should have a good impact in organization. Nawawi, H (2005: 319) argued that rewards were attempts to cultivate acceptance feeling (acknowledged) in the work environment, which touched on the aspects of compensation and aspects of relationships between workers to each other. Additional Income of Civil Servants (TPP) is an additional income in the form of money that is not included in the salary component provided to

local public officers on the basis of workload, job performance, place of duty, professional scarcity and working conditions. This additional income of employees is given in accordance with the financial capacity of the region, then the additional amount of income in each region may be different. Implementation of TPP pursuant to Article 63 of Government Regulation Number 58 Year 2005 regarding Management of Regional Finance. TPP is an effort to improve the welfare of employees and foster motivation so that the performance of employees can go along as expected.

Regional Financial Management Performance

Performance term is derived from job performance or actual performance words. Mangkunegara (2013:67) argued that performance (work achievement) is a work result qualitatively and quantitatively achieved by an officer in bringing off their tasks pursuant to the delegated responsibility. The performance of regional financial manager is the result of work in quality and quantity obtained on the duty, authority and responsibility as the manager of local finances based on the procedures and regulations that apply. The performance of financial managers is generally identified by the opinion given by the BPK on the results of examination of local government financial statements (LKPD). BPK gives a WTP opinion if the performance of the regional financial manager is good. The report of the examination results is based on the fairness of the presentation of financial statements, the effectiveness of SPI and the compliance with laws and regulations.

In accordance with the theoretical basis and the problem of research, it can be modeled research, this study describes the relationship of Competence and Motivation on the Performance of Regional Finance Manager moderated by Performance Allocation Area. The relationship between these variables can be illustrated in the following figure.

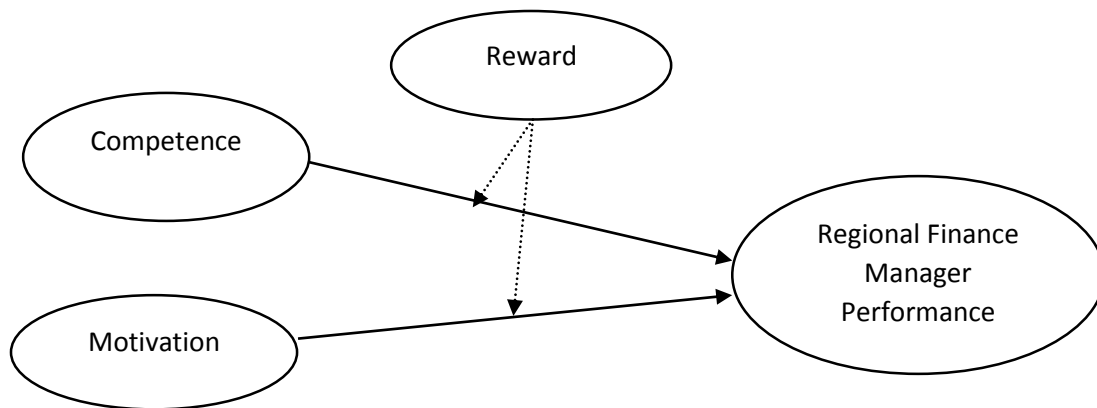


Figure 1. Research Model

Competence with Regional Finance Manager Performance (PKD)

Jensen and Meckling (1976) argue that agency relationships can occur in all entities that rely on contracts, either explicitly or implicitly, as a reference to the behavior of participants' conduct. Contracts can be derived from common interests to achieve common goals (Shleifer and Vishny, 1986). The importance for the achievement of the common goal in this research is the achievement of the maximum local financial manager that is the highest award for the management of local finance. To realize it requires Human Resources who have competence according to their field. Based on the Regulation of the Head of BKN Number 7 of 2013 on Standards of Preparation of Managerial Competence of civil servants, that competence is a characteristic and work ability that includes aspects of knowledge, skills, and attitudes according to task and / or function of position. According to Spencer and Spencer (1993: 9) states that competence is a characteristic that underlies a person and is related to the effectiveness of individual performance in his work. The meaning of these characteristics is part of a deep and attached personality to a person as well as predictable behavior in various circumstances and work tasks. From the definition of competence can be concluded that the competence is the ability and characteristics to implement or do a job or task based on skills and knowledge and supported by work attitude. HR having knowledge and expertise in accordance with the required fields and supported with a good working attitude will have an impact on the improvement of its performance.

Chaerunisa and Jaenudin (2015) research that examined the factors that influences employee performance provided empirical finding that the variables of education and training, work discipline, work motivation, and human resource capability affected the performance of

employees. Then researches on the influence of competence on performance were undertaken by Safwan (2014) and Sujana (2012). The results of Safwan's (2014) and Sujana (2012) studies provided proofs that competence affected employee performance. And the research of Mohklas (2015) stated that competence had a positive effect on employee performance. Taking into account some of the results of this study, it can be concluded that the higher the competence of employees, the performance of employees will increase. Based on the above explanation, the hypothesis proposed in this research are:

Hypothesis 1: Competence positively affects the performance of local financial managers.

Motivation with the performance of local financial managers

The theory of hope states that motivation is determined by the expected outcome or obtained as a result of its actions (Gitosudarmo and Sudita, 2000: 42). Motivation in the management of an organization is generally given to all human resources and especially to subordinate employees within the organization. The motivation questioned how to encourage subordinate employee morale so that they work hard by expending all the abilities and skills to realize the goals of the organization. Basically, organizations not only expect capable, skilled and skilled employees but most importantly they want to work hard and compete to achieve optimal work. So to improve performance there must be a strong motivation in the employee.

With regard to Hasibuan (1994: 159) Motivation is a stimulus of desire and the driving force of one's willingness to work and every motive has a certain goal to be achieved. Motivation according to Fillmore H. Stanford (1969: 173) quoted Mangkunegara (2013) mentions that motivation as a condition that moves people towards a particular goal. Mangkunegara (2013) argues motivation is a condition that moves employees to be able to achieve the purpose of motive. Based on the opinion of some experts mentioned above it can be concluded that motivation is a mover or drive from within a person to achieve an expected goal.

There are several factors that affect the performance of one of them is motivation. As the research conducted by Larasati and Gilang, (2014) that work motivation has a positive influence on employee performance Witel Bekasi. The subject reinforces Keith Davis's statement, quoted by Mangkunegara (2005: 13) states there are two main factors that affect the individual's performance of the ability (ability), and motivation of the work (motivation) of the individual.

This opinion is also supported by Safwan (2014) that the motivation has an effect on the performance of local financial management. This means that high employee motivation can improve employee performance. From the explanation, the hypothesis proposed in this research are:

Hypothesis 2: Motivation positively affected

Regional performance incentives, competences, and performance of regional financial managers

Sugiono (2004) argued that no universal strategy was superior, regardless of organizational or environmental context, they usually used a contingency perspective. In the context of management control, one of the tools used by management is to provide rewards / rewards. As the opinion of Mulyadi (2000: 29) which stated that performance-based reward system was an important control means used by the organization to motivate personnel to achieve corporate goals with behavior in accordance with the expected company. So the reward becomes one of the important indicators as a controller as a supporter so that employees improve the ability as expected by the company / organization. The statement is also reinforced by Budiman (2009) that reward as a moderation between the ability of human resources to the performance of employees could give a different effect, namely the higher the ability of human resources, the performance of employees will be higher. Thus the regional performance reward / allowance can strengthen the relationship between competence with the performance of local financial managers. From the explanation, the hypothesis proposed in this research are:

Hypothesis 3: Local performance allowances can strengthen the influence of competence on the performance of local financial managers.

Local performance allowances, motivation, and performance of local financial managers

Furthermore, in predicting the improvement of motivation should the leadership not only focus on one of the conditions factor work. These factors are intrinsic and extrinsic factors. Intrinsic factors are related to achievement, recognition, work itself, responsibility and personal growth and development. Extrinsic factors relate to salary, job security, working conditions, status, corporate policy, quality of supervision and social security, Gitosudarmo and Sudita (2000: 35). Then Hasibuan (1994: 137) states that if the rewards or rewards provided are large

enough, managers will be easy to motivate subordinates. Sajudinnoor (2014), stated that the compensation in the form of additional income to employees has a positive impact on improving employee performance. Thus giving a decent award then motivates employees to achieve better performance. From the explanation, the hypothesis proposed in this research are:

Hypothesis 4: regional work incentive can reinforce the influence of motivation on the performance of regional finance management officer.

METHODS

This research is a casuality type, the population is the regional finance management officers around Bulungan Regency Administration comprising Budget User, Authorized Budget User, Regional Component Work Unit Finance Administration Officials (PPK-SKPD), Technical Activity and Treasurer. The sampling technique uses purposive sampling. The consideration of determining this sample is the financial manager in SKPD that has direct relevance to the preparation of financial statements SKPD.

Table 1 of Finance Management Officers on SKPD

No	SKPD Finance Management Officers Work Title	Information
1.	Budget User	Involved, their tasks are to create SKPD financial statement
2.	Authorized Budget User	Uninvolved, since their tasks are mandatory or the authority delegation is from Budget User
3.	Finance Administration Officials	Involved, provide SKPD financial statement
4.	Technical Activity Person In Charge	Uninvolved, their tasks to manage technical activities.
5.	Treasurers : <ul style="list-style-type: none">• Outflow Treasurer• Inflow Treasurer	Outflow and Inflow Treasures are directly involved due to possessing the tasks of performing financial transaction.

The number of the generated sample is as follows:

Table 2 The Number of Research Samples

No	Regional Finance Management Officers	Quantity
1	Budget Users	50
2	Finance Administration Officials	50
3	Treasurers : <ul style="list-style-type: none">• Outflow Treasurer• Inflow Treasurer	50
		12
The Number of Samples		162

Operational Definiton

The intended competence of this study is knowledge possessed by regional finance management official in bringing off their tasks and responsibilities in the basis of knowledge, ability/skill, and work ethic. The variable indicator of this competence is adapted from Irwan (2011) developed by Sudriarianti (2015) which then adjusted by the researchers in accordance with the research objects namely a) Knowledge, possessed by the officers to bring off their duties and responsibilities as regional finance management officers. Covering: task understanding, functions, regional finance management guidance, SAP, system and regional finance management procedure and and the addition of insights by reading the literature on local financial management as well as educational background, b) Skills / Skills, is the ability / skill possessed by every local financial manager to carry out its duties and responsibilities maximally. Skills / skills of this research include: the participation of training and courses, expertise in the field of financial management and control of the work tool, and c) Attitudes / behavior, is the behavior patterns of financial management officials in carrying out their duties and responsibilities in accordance with established rules. Includes: integrity, commitment and leadership.

Motivation is the impetus or driving force of a person to be able to achieve maximum achievement. To measure this variable of motivation researchers adopted from research Budiman (2015) and has been adjusted by researchers in accordance with the object of research. The indicators are: a) The need for achievement, is the need to do the job better than before, always desiring to achieve higher achievement. Includes: the effort to achieve the achievement, enjoy the job, mastering the job, easy and quick to understand the new job. b) The need for affiliation, an encouragement to interact with others, be with others, not do anything to the detriment of others. Includes: curiosity of how progress is being made while completing the task, working with the financial management officers both in SKPD itself and other SKPD and involving several people in the organization if there are problems to be solved together. c) The need for power, is a reflection of the drive to reach the authority to have influence on others. Includes: an attempt to influence others in every activity and develop and seek new ideas for better work.

Regional Performance Incentive (TKD) is an award in the form of additional income given to Public Officers on workload, work performance and working conditions and place of duty and scarcity of profession with the aim to improve employee welfare and performance improvement. To measure the regional performance allowance the researcher used the indicator adopted from Mardjoen (2013) and has been adjusted by the researcher according to the object of the study. These indicators are a) Employee Discipline, Attendance of employees in performing tasks, hours of obedience, and following the morning apple. Includes: local performance allowance (TKD) received according to the attendance rate, working in accordance with established working hours, and following the morning apple. b) Responsibility, performing the main tasks in accordance with the rules and provisions applicable accompanied by the work. Regional performance allowances are provided on the basis of the mandated responsibilities (job titles) and the given workload.

Performance of regional financial manager is the result of work obtained from the duties and responsibilities as a manager of regional finance. Performance measurement of regional financial manager is adapted from Wasasih (2015) and has been adjusted by the researcher in accordance with the object of research. The indicators are: a) Quality of work, is a measure of the quality of each work achieved by the local financial manager, with items of measurement that is reliability, relevance, comparable and understandable. b) Timeliness, performance appraisal based on timely delivery of reports and timelines. c) Initiative initiatives, performance appraisals based on positive thinking skills, realizing creativity and achievement. d) Communication, assessment based on the ability to communicate with leaders / superiors and other financial management personnel. The answers of the respondents were scored using the Likert Scale system, there were five classifications of the answers given with the scores of Very Disagree (1) to Strongly Agree (5).

RESULTS

Testing measurement model (outer model)

Outer model or measurement model is the stage to evaluate the validity and reliability of a variable. A research model can not be tested in a prediction model of relational and causal relationships if it has not been through the filtration stage of the measurement model. Reliability

test results and validity indicator is obtained that the value of loading has not met the required, therefore the removal of some indicators. 4 indicators of competence variables, 4 indicators of motivation and 5 indicators of performance variables of local financial managers. After the deletion for convergence validity test, the values of loading factor > 0.5 and AVE value > 0.5 and for the discriminant validity test, the value of cross loading > 0.5 and AVE root is higher than the correlation value between variables. Furthermore, the reliability test is considered reliable because it has met the requirements specified, namely the value of conbachs alpha > 0.6 and composite reliability > 0.7 . (should the data be attached).

Structural Model Test (inner model)

The test of the measurement structural model by way of figuring the value of R-square latent variable dependent with the same interpretation with regression. Q-Square (Q²) predictive relevance for a variable model that measures how well the observed value is generated by the model and its parameter estimation. If the value of Q-Square > 0 indicates that the model has predictive relevance. Conversely, if the Q-Square value < 0 , illustrates that the model lacks predictive relevance. From result of test of structural model got value of R² = 0,429 indicate that model have goodness of fit level good, meaning variability of PKD performance which can be explained by competence, motivation, and performance benefit area equal to 42,9%, meanwhile 57,1% explained by other variables not examined in the model.

Furthermore, to know the value of Q² (predictive relevance) is by using the formula $Q^2 = 1 - (1 - R^2)$, the model is better if the value close to 1, from the calculation of the formula then obtained value of Q² of 0.184 means that 18.4% the moderator in this study deserves to explain the dependent variable that is PKD Performance. Thus the research model used is feasible so that the hypothesis proof can proceed.

Hypothesis testing of this research using Structural Equation Modeling (SEM) with a variance based or component-based approach with Partial Least Square (PLS). Hypothesis testing in this study using one-tail test with the help of SmartPLS 3.0 software, 95% confidence level or $\alpha = 5\%$ or 0.05. A hypothesis can be received should T-statistic $\geq 1,64$. Hypothesis test result can be viewed on the following figurea and table.

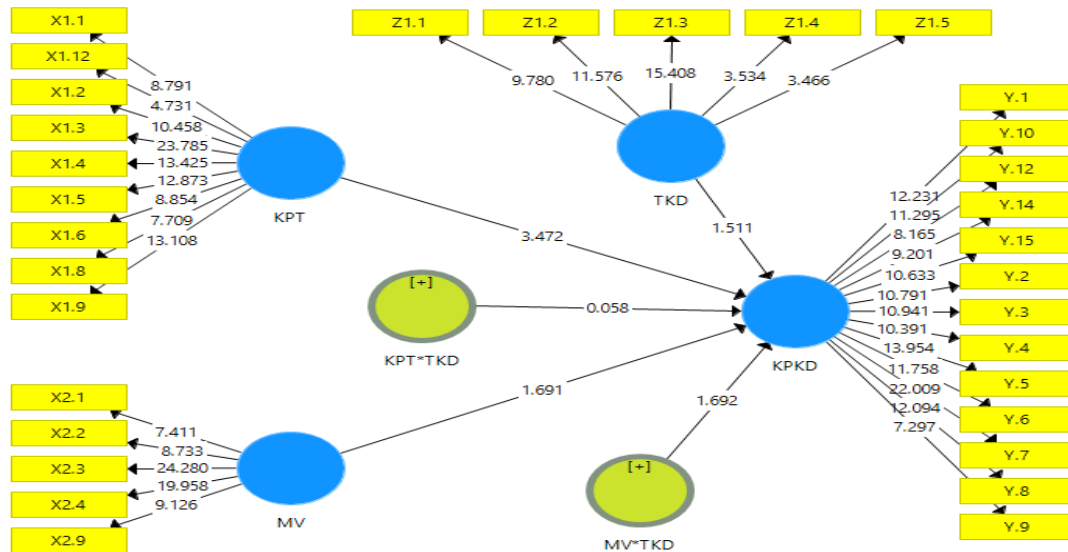


Figure 2. Hypothesis Test Structural Model

Table 3. Hypothesis Test Result

Hypothesis	Intervariables Influences	Original Sample (O)	T Statistics	P Values	Conclusion
H1	KPT -> KPKD	0.382	3.472	0.000	Accepted
H2	MV -> KPKD	0.204	1.691	0.477	Accepted
H3	KPT * TKD -> KPKD	-0.011	0.058	0.046	Denied
H4	MV * TKD -> KPKD	0.317	1.692	0.046	Accepted

Source: 2016 processed data

Information:

KPT -> KPKD: direct influence of competence on PKD performance

KPT * TKD -> KPKD: the influence of competence on the performance of PKD with TKD as a moderation variable

MV-> KPKD: the influence of motivation on the performance of PKD

MV * TKD-> KPKD: the influence of motivation on PKD performance with TKD as a moderation variable

Effect of competence on the performance of PKD

In Table Results Hypothesis Testing gives an overview of the first hypothesis testing (H1) which indicates a positive influence between competence on the performance of local financial managers. The test results can be seen from the T-statistic value of 3.472 which means that the relationship between competence to the performance of regional financial managers is significant because when compared with the T-table is 1.64 then the value of t-statistics > t-table and also obtained coefficient value of 0.382 indicating the direction of the relationship is

positive. Thus it can be concluded that the hypothesis is accepted. This description explains that the competence has a positive effect on the performance of regional financial managers which means the higher the competence of the local financial manager, the performance tends to be better. Financial management officers in carrying out their duties are based on expertise and knowledge and supported by ethical behavior, the work tends to increase and better.

The results of this study are consistent with research conducted Safwan (2014) which examines the influence of competence and motivation on the performance of local financial management. The results of his research states that competence has a positive effect on the performance of local financial management. The results of this study also support the results of Emmyah (2009); Sujana (2012); Pradiningrum (2013); Mohklas (2015); and Makawi, Normajatun, and Haliq (2015).

The influence of motivation on the performance of PKD

Testing the second hypothesis (H2) which indicates that the motivation has a positive effect on the performance of local financial managers. In the Hypothesis Testing Table can be seen from the t-statistic value of 1.691 and the value of coefficient 0.204 which means that the relationship between the motivation with the performance of local financial managers have a positive effect because if t-statistics compared with t-table is 1.64 then the value of t-statistics > t-table, thus it can be concluded that the hypothesis is accepted. This description explains that the higher the motivation of the financial management employees, the performance of local financial managers will be better.

Achieving the performance of good local financial manager also required motivation from the employees themselves. Regional finance managers must have the drive to achieve better performance, enjoy work, occupy the job and quickly adapt in understanding new jobs or tasks and encourage them to develop new ideas for better work.

The results of this study are consistent with research conducted Safwan (2014), which examines the influence of competence and motivation on the performance of local financial management. The result of his research stated that motivation have positive effect to the performance of local financial management. The results of this study also supports the results of research linking motivation to employee performance investigated by Sujana (2012); Pradiningrum (2013) and Mohklas (2015) and Sutrisno, Fathoni and Minarsih (2016).

DISCUSSION

The moderation effect shows the interaction between the moderator variable and the independent variable (predictor) in influencing the independent variables. In the moderation effect test can be seen in the table of total effect not on the coefficient table due to the effect of moderation not only tested the direct effect of the independent variable to the dependent variable, but also the interaction relationship between the independent variable and the moderation variable to the dependent variable (indirect effect). Therefore the total effect is used to see the effect of total prediction (direct effect and indirect effect). The following can be illustrated hypothesis testing with moderation effects. Hypothesis 3 (H3) states that regional performance allowances can strengthen the influence of competence on the performance of local financial managers. In Table Result Testing Hypothesis value of total effect (KPT * TKD-> KPKD) can be seen at t-statistics is 0.058. The value is smaller than the t-table value of 1.64 which means that hypothesis 3 (H3) is rejected. Thus it can be concluded that the regional performance allowance has not been proven to strengthen the influence of competence on the performance of local financial managers. This result is similar to the research conducted by Dalmy (2009) which analyzed the influence of Human Ability, Commitment and Motivation to Auditor Performance with reward as moderating variable. Dalmy's research results (2009) states that the reward in the form of regional performance allowance is not able to influence the relationship of human resources ability to Auditor's performance. This is possible because the regional performance allowances provided by the Bulungan District Government are currently only based on the Position, rank / class and attendance level and the focus of the allowance allowance has not been measured from the level of employee performance. Local Performance Allowances or Additional Income (TP) are granted in general to civil servants (PNS) within Bulungan District Government. That is, performance-based assessments that form the basis of local performance allowances are not implemented. Regulation of the Minister of PAN-RB Number 63 of 2011 on Guidelines for Structuring the Performance System of Performance of Public Servants states that the provision of performance allowances to civil servants should be fair and appropriate in accordance with the weight of work and responsibilities as well as the level of regional overpriced index where the employee works. The amount of performance allowance is given based on the component of achievement level of institutional bureaucratic reform, value and position class, position price index, balancing factor and performance index of provincial

performance. Provision of regional performance benefits to the Government of Bulungan District should be guided by the regulation as a benchmark for the Provision of Regional Performance Allowances.

Hypothesis 4 (H4) states that regional performance allowances can strengthen the influence of motivation on the performance of local financial managers. The total effect value (MV * TKD-> KPKD) in the Hypothesis Testing Table can be seen from the t-statistics of 1,692. The value is greater than the value of T-table 1.64 which means that hypothesis 4 is accepted. So it can be concluded that the performance allowance area can strengthen the influence of motivation on the performance of local financial managers. The results of this study in line with research Budiman (2015) that the rewards proved to strengthen the influence of motivation on employee performance. But unlike the research conducted by Dalmy (2009). Dalmy's research results (2009) states that the reward in the form of regional performance allowance is not able to influence the relationship of motivation to the performance Auditor. The results of this study are also different from the research Lina (2014) which states on the results of his research that the reward is not a moderation variable. This study provides empirical evidence of local performance benefits as a moderating variable that is able to strengthen the influence of motivational variables on the performance of financial managers. The motivation of the employees of the regional finance management is higher if supported by a decent award, so as to be able to improve its performance in the field of regional financial management. In line with the thought of the Directorate of Research and Development KPK (2006) stating that the benefits of providing additional employee income is to refine employee motivation, especially for welfare benefits associated with performance. For organizations, employees are one of the resources needed to achieve the organization's goals. Conversely, for employees who have a variety of needs, employees are also one hope that can satisfy their needs. Compensation is a reward given by the organization to its employees for the services of carrying out the duties, obligations and responsibilities imposed on it in the context of achieving organizational goals. Rewards in the form of performance benefits areas that are expected by employees to meet the needs of the employee will feel satisfied. Satisfaction will trigger employees to continue to improve its performance, so that the goals of the organization and the needs of employees will be achieved together. If the employee's needs are not met then the employee will show a disappointed behavior. Conversely, if the needs are met then the employee will show a happy behavior as a

manifestation of his satisfaction. The results of this study provide empirical evidence and is an application of the hierarchy of needs for the fulfillment of physiological needs and the need for appreciation, employee motivation is increasing if the physiological needs and rewards are feasible given by the organization so as to provide a positive impact on employee performance. Award in the form of Regional Performance Allowance is one of the strategies that have been done by the Government of Bulungan District that serves to improve employee motivation in achieving performance.

CONCLUSION

In view of the analysis and discussion results, thereby, it can be drawn to conclusions: Firstly, Competence affects on the performance of regional finance management officials, meaning that the higher the competence that finance management officials have, the better their work performance. This result is in concert with the studies carried out by Safwan (2014) and complements the studies of Emmyah (2009); Sujana (2012); Pradiningrum, dkk (2013); Mohklas (2015) ; dan Makawi, dkk (2015).

Secondly, motivation effects on the performance of regional finance management officials signifying that the higher the motivation that the officials possess, the better their work performance/improve. This result is in concert with the study of Safwan (2014) and the preceding studies of Sujana (2012); Pradiningrum (2013) ; dan Mohklas (2015).

Thirdly, the Regional Performance Incentive has yet to be proven to be able to strengthen the relation between the competence variable to the performance of the regional financial manager. This indicates that the high or low regional performance allowances given to competent employees have not had an impact in improving the performance of local financial managers. These results are consistent with research conducted by Dalmy (2009).

Fourthly, regional performance incentive can strengthen the relationship between motivation variable to the performance of regional financial manager which means that the influence of employee motivation takes up unless given the award in the form of regional performance allowance that will impact on the better performance. These results are consistent with research conducted by Budiman (2015).

Accordingly overall can be signified that regional finance managers whose competences are high and highly motivated, in result, their performance can improve. The motivation of the

officers get better unless the policy makers reward them proper performance incentive to reach better work performance.

The limitation in this study is the wrong timing over the distribution of the questionnaires to the finance managers in Regional Work Unit. The distribution was carried through in the end of November up to mid of December. The intensity of the workers throughout that month was considerably high and conflicting with the making of Regional Budget and Expenditure, Fiscal Year 2017 and the adjustment of regional apparatus organization due to the issuance of Government Regulation No. 18 of 2016 which regulates the organization of regional devices. These activities had an impact on the rate of return of the questionnaire and the understanding of the statement on the questionnaire. Not to forget the time and cost, given the vast area of Bulungan District and the lack of transportation facilities.

There are still several other variables that can affect the performance of regional financial managers. It is expected that other succeeding researchers who are inclined to undertake the research with the same topic, it is advisable to add other variables such as organizational culture. Organizational culture has a tendency to affect the performance of regional financial managers. The reason for the suggested organizational culture is that the performance of the regional financial manager is inseparable from a value owned by the financial manager and is manifested in the form of norm or behavior. Other researchers are able to carry out further tests to re-analyze the influence of Regional Performance Incentive as moderation variable by way of taking into accounts several other factors such as research question item improvement.

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Laporan Hasil Pemeriksaan BPK RI atas Laporan Keuangan Pemerintah Daerah Kabupaten Bulungan Tahun Anggaran 2015.

Attachments
SMART PLS 3.0 Final RESULT ATTACHMENTS

OVERVIEW

Latent Variable Correlations

	KPKD	KPT	MV	TKD
KPKD	1.000000			
KPT	0.610691	1.000000		
MV	0.543903	0.702488	1.000000	
TKD	0.490080	0.512539	0.496940	1.000000

Cross Loadings

	KPKD	KPT	MV	TKD
X1.1	0.463631	0.639368	0.449005	0.361121
X1.12	0.396397	0.540424	0.454384	0.295795
X1.2	0.491883	0.786584	0.370621	0.462789
X1.3	0.514651	0.839755	0.528906	0.341699
X1.4	0.446375	0.766762	0.598530	0.310341
X1.5	0.397596	0.774147	0.501912	0.428595
X1.6	0.334300	0.677436	0.476528	0.488351
X1.8	0.459179	0.700400	0.631662	0.404088
X1.9	0.431513	0.763822	0.575823	0.274974
X2.1	0.335946	0.340880	0.648482	0.344281
X2.2	0.264908	0.478664	0.690780	0.274329
X2.3	0.459100	0.679102	0.847410	0.430041
X2.4	0.492438	0.641493	0.819066	0.466934
X2.9	0.391322	0.384898	0.659801	0.269786
Y.1	0.737420	0.470379	0.358442	0.415047
Y.10	0.749080	0.293358	0.352033	0.328001
Y.12	0.655415	0.358311	0.395560	0.326919
Y.14	0.685251	0.527491	0.478383	0.311264
Y.15	0.636518	0.575069	0.574348	0.415769
Y.2	0.721935	0.303770	0.329264	0.283996
Y.3	0.657982	0.499773	0.259663	0.320844
Y.4	0.738541	0.352060	0.350569	0.293778
Y.5	0.733040	0.373181	0.294600	0.260173
Y.6	0.719293	0.423510	0.332983	0.418923
Y.7	0.810748	0.496231	0.380015	0.464085
Y.8	0.722992	0.449770	0.413692	0.326587
Y.9	0.631003	0.286915	0.359925	0.217963
Z1.1	0.387313	0.268660	0.119327	0.743735
Z1.2	0.380280	0.540868	0.517186	0.778432
Z1.3	0.456598	0.553867	0.504582	0.819106
Z1.4	0.224565	0.154691	0.322069	0.598739
Z1.5	0.193183	0.106442	0.277021	0.585396

	AVE	AVE Root	Composite Reliability	R Square	Cronbachs Alpha	Communality	Redundancy
KPKD	0.503208	0,709371	0.929095	0.429457	0.917369	0.503207	0.151710
KPT	0.527209	0,726091	0.908212		0.884866	0.527209	
MV	0.544403	0,737837	0.855036		0.789495	0.544403	
TKD	0.506242	0,711507	0.834279		0.768730	0.506241	

Outer Loading				
	KPKD	KPT	MV	TKD
X1.1		0.639368		
X1.12		0.540424		
X1.2		0.786584		
X1.3		0.839755		
X1.4		0.766762		
X1.5		0.774147		
X1.6		0.677436		
X1.8		0.700400		
X1.9		0.763822		
X2.1			0.648482	
X2.2			0.690780	
X2.3			0.847410	
X2.4			0.819066	
X2.9			0.659801	
Y.1	0.737420			
Y.10	0.749080			
Y.12	0.655415			
Y.14	0.685251			
Y.15	0.636518			
Y.2	0.721935			
Y.3	0.657982			
Y.4	0.738541			
Y.5	0.733040			
Y.6	0.719293			
Y.7	0.810748			
Y.8	0.722992			
Y.9	0.631003			
Z1.1				0.743735
Z1.2				0.778432
Z1.3				0.819106
Z1.4				0.598739
Z1.5				0.585396

Total Effect						
	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics (O/STERR)	P Values
KPT -> KPKD	0.382	0.400	0.110	0.110	3.472	0.000
KPT * TKD -> KPKD	-0.011	-0.018	0.192	0.192	0.058	0.477
MV -> KPKD	0.204	0.189	0.121	0.121	1.691	0.046
MV * TKD -> KPKD	0.317	0.319	0.187	0.187	1.692	0.046
TKD -> KPKD	0.148	0.172	0.098	0.098	1.511	0.066