An Analysis of Village Governance With Organizational Commitment as a Moderating Variable

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ABSTRACT

The number of administrative violations and corruption cases at the village level has been in the spotlight recently. Good village governance is one of the steps to overcome it. This study aims to identify the factors that influence village governance and examine the moderating effect of organizational commitment on the relationships between village financial management and apparatus competence in village governance. This study was conducted in the Village Government in Rokan Hilir Regency and employed quantitative data analysis. The data was obtained using a questionnaire, and the respondents were selected using purposive sampling. This study used an analysis method using the structural equation model (SEM). The result shows that the government's internal control system and village financial management can affect village governance in Rokan Hilir Regency. However, apparatus competence cannot influence village governance, and organizational commitment cannot strengthen the performance of the apparatus in implementing village governance. Nevertheless, organizational commitment is needed to enhance the relationship between village financial management and governance in Rokan Hilir.

KEYWORDS:

Village governance; internal control; performance; organizational commitment

INTRODUCTION

Governance is quite an exciting topic considering the significant increase in reported fraud cases at the regional and central governments in recent years. Government administration, including the village government, has also been in the spotlight with many violations, both administrative and corruption cases, which require immediate handling. Indonesia Corruption Watch (ICW) says that the village budget is the most vulnerable to misuse and corruption. In the first semester of 2021, data shows that 62 cases of village budget corruption occurred, and this was the most significant corruption case in that period (ICW: 2021 Village Apparatus, 2021). One corrective measure that is believed to be effective is improving village governance. Good governance in the village must be carried out in a structured and systematic manner so that the village cannot only be accountable for all activities carried out but can also increase the competitiveness of the village (Maghviroh, 2020).

Good village governance will enable the village government to use funds effectively. If the village can use its funds and resources optimally, the community's welfare will also increase, ultimately increasing its economic growth (Maghviroh, 2020). It must be connected to managing village finances or budgets accountable and transparently. Allegations of budget misappropriation often arise due to the lack of transparency in the use of village funds, so accountability for the use of these funds is questionable. By demonstrating transparency, financial management and accountability can be accounted for. If accountability has been fulfilled, good governance in village government can be realized. Accountability is a mechanism and rules for financial management, mechanisms in the concept and indicators of budget performance, cost standards, accountability mechanisms, reporting, evaluation, control mechanisms, and monitoring also inspection mechanisms (Akbar, 2012). Sitompul (2014) explains that regional financial management includes planning, implementation, reporting, and accountability. Research by Savitri, Andreas, and Diyanto (2019) in Riau Province shows that sound financial management illustrates good accountability and accountability will lead to good village governance. Sirajudin (2019), through his research in a district in South Sumatra Province, concludes that accountability has a significant effect on good governance, accountability has a significant effect on village fund management, and village fund management has a positive but not significant effect on good governance.

Another thing that is closely related to governance and accountability is the government's internal control system. Government Regulation Number 60 of 2008 concerning the Government's Internal Control System has emphasized that in carrying out its activities, a government organization must implement an internal control system at the central and regional governments. The GICS is a necessary process of actions and activities carried out continuously by the leadership and all employees to provide adequate assurance on the achievement of organizational goals through effective and efficient activities, reliability of financial reporting, safeguarding state assets, as well as compliance with laws and regulations. The government's internal control system adapts the Committee of Sponsoring Organizations of the Treadway Commission (COSO) concept, which includes control environment, risk assessment, control activities, information and communication, also monitoring to strengthen organizational governance (Ariffin, Hanif, Ali, Razak, & Sori, 2016). The internal control system is a guide in testing the effectiveness of organizational activities with several aspects, namely costs and benefits, human resources, clarity of effectiveness

measurement criteria, and technological developments, carried out comprehensively (Romney & Steinbart, 2017).

Amijaya (2019) proves that adequately applying the government's internal control system will produce accountable financial reports, and therefore, good governance can be established in the government. Raiborn, Butler, Martin, and Pizzini (2017) found that an internal audit is designed to increase the organization's value and operations, also help the organization achieve its goals systematically to evaluate and improve risk management, control, and good governance. Sari, Mulyani, and Budiarto (2020) also revealed that the internal control system represented by the internal control unit influences accountability in creating good organizational governance.

In addition to the internal control system and accountable village financial management, another main factor lies in the role of the apparatus as the driving force in running the village government. Law Number 5 of 2014 concerning State Civil Apparatus specifies that the State Civil Apparatus (Aparatur Sipil Negara, ASN) consisting of Civil Servants (Pegawai Negeri Sipil, PNS) and government employees under work agreements must uphold principles in carrying out their duties that prioritize the achievement of results and encourage their performance so that they can be held accountable in the eyes of the public. The competency of the government officer plays an essential role in establishing good governance in the village government.

According to Agusti (2012), the government's performance is a system that aims to assist senior management in assessing the achievement of a strategy through financial and non-financial measuring tools, where performance can be measured by how far the performance ability is in achieving its budgeted targets. Ruspina (2013) states that several types of indicators are needed to analyze and describe organizational performance in the organization, namely input, process, output, outcome, benefit, also impact indicators. Safkaur and Sagrim (2019) in their research, find that reliable human resources will lead to success in organizational performance, and skilled human resources will work with improved transparency and accountability, which indirectly describes the implementation of good governance in organizations. Similarly, Arulrajah (2016) research discovered that good human resources would also lead organizations to achieve good organizational governance. While Simon, Mahfudnurnajamuddin, Mas'ud, and Su'un (2016) provide evidence that the competence of the apparatus and internal control systems significantly affects good governance and the quality of financial reporting information.

The competence of government officials is one of the factors that affect accountability. Edison (2017) stated that a person's self-competence could be seen from knowledge, skills, and attitudes. Makalalag, Nangoi, and Karamoy (2017) find that competence is the main obstacle in efforts to increase accountability for village fund management in the sub-district of South Mobagu City. Competence can also reflect the performance of an apparatus, so it is essential to develop such as providing education and training because reliable human resources will direct the achievement of good governance in the organization (Safkaur & Sagrim, 2019; Arulrajah, 2016).

Good supervision of competent apparatus in managing funds will only create organizational governance if it is supported by organizational commitment. Organizational commitment is an impulse individuals create to undertake measures to increase the organization's success according to the expectations based on prioritizing the organization's

interests compared to individual ones (Arifin, Hanif, Ali, Razak, & Sori, 2019). Organizational commitment encourages individuals to carry out actions to increase the organization's success by the expectations based on the goal of prioritizing the organization's interests compared to individual interests (Arifin et al., 2019). Employees with high commitment to the organization tend to show good quality, perform with passion and totality at work, and the turnover rate for the organization becomes lower (Akbar, 2012). According to Meyer and Allen (1997), organizational commitment has three components: affective commitment, continuance commitment, and normative commitment. Affective commitment occurs when employees understand and feel responsible for achieving organizational goals, also employees with high affective commitment usually show high-performance levels. Continuance commitment occurs when employees are willing to make the best effort for their work only when the rewards are given according to their expectations. In comparison, normative commitment is shown by the existence of individuals in the organization due to the expected standard of behavior or social norms so that employees work only for compliance and formality (Hadi & Tentama, 2020).

The government financial accountability report manifests transparency and accountability in managing state/regional finances. Edlin (2018) states that the quality of local government financial reports is influenced by the capacity of human resources and information technology rather than the government's internal control system. This differs from the research results by Siwambudi, Yasa, and Badera (2016), which state that the quality of local government financial reports is influenced by its internal control system. Hendaris and Romli (2021) researched West Bandung Regency villages. The results showed that the village appa-

ratus performance, internal control, and information technology use affected fund management accountability and the quality of financial reports. There are still many previous studies that examine the factors that influence good governance or the quality of financial reports with different results.

Based on the phenomena and inconsistencies of previous research, this study is deemed essential to be carried out given that there are still many differences in research results. This study examines whether the government's internal control system, regional financial management, and the apparatus's performance can affect village governance. The research questions to be addressed in this study are:

1. How do the government's internal control system, village fund management, and apparatus competence partially affect village government governance?
2. Can organizational commitment moderate the relationship between the government's internal control system, village fund management, and apparatus competence in village government governance?

Based on the background, theoretical basis, previous research, and the research question, the hypotheses developed in this study are:

H1: Government Internal Control System (GICS) affects village governance

H2: Village financial management affects village governance

H3: Apparatus competence affects village governance

H4: Organizational commitment to moderate the relationship between GICS and village governance

H5: Organizational commitment to moderate the relationship between village financial management and village governance

H6: Organizational commitment to moderate the relationship between apparatus competence and village governance

RESEARCH METHOD

This study was conducted in the Village Government in Riau Province, precisely in Rokan Hilir Regency, using data from questionnaires in 2021. The population in this study consisted of 40 Village Governments in Rokan Hilir Regency. The types and sources of data used in this study are primary data. Primary data is obtained directly from respondents in the village government by distributing written and structured questionnaires to the respondents. Each variable is measured based on the indicators that form the basis of the questionnaire questions. Then the questions are given an answer scale using a Likert scale with a scale between 1 to 5. There are 200 questionnaires distributed and returned with the same number.

A quantitative analysis method is used to conduct the data analysis. This study's data analysis and hypothesis testing employs the Structural Equation Model – Partial Least Square (SEM-PLS) model. According to Ghozali (2014), the SEM model consists of two types, namely covariant-based structural equation model (CB-SEM) and partial least square-structural equation model (PLS-SEM), which can combine two types of analysis, namely path analysis and regression analysis.

RESULT AND DISCUSSION

Validity and Reliability Testing

The first method performed is validity testing, carried out with convergent validity and discriminant validity tests. In this test, whether or not an indicator is valid can be seen through the value of the loading factor and AVE. The construct indicator that is said to be valid is if the loading factor value is > 0.50 (Ghozali, 2014). Based on the result in the Appendix, all indicators have met the criteria of convergent validity. In addition to assessing the loading factor, the convergent validity test also uses the AVE value as a reference. The AVE value generated by the construct is said to meet the criteria for convergent validity if it has a value of more than 0.50 (Ghozali, 2014). The results of the convergent validity test by looking at the AVE value for the GICS, Village Financial Management (VFM), Apparatus Competence (APR), Organizational Commitment (OC), and Village Governance (VG) are seen in Ta-
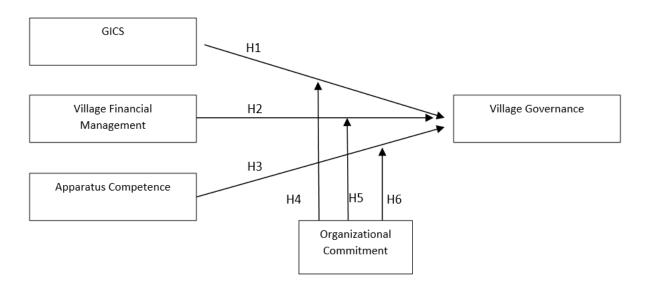

Figure 1. Research Framework

ble 1. It can be seen that all variables have an AVE value above 0.50, so the convergent validity requirements have been met.

Table 1. AVE Value

Variable	AVE Value
GICS	0.531
VFM	0.518
APR	0.525
OC	0.500
VG	0.501

The results of the discriminant validity test can also be seen in the Appendix. Based on the Appendix, it can be noted that all construct indicators have a loading value that is greater than the other loading values. This suggests that all construct indicators have met the requirements of discriminant validity.

This study uses the WarpPLS 7.0 program to measure the reliability of a construct with reflexive indicators, which can be done through the value of Cronbach Alpha or composite reliability. According Anggraini, Purnomosidhi and Hariadi (2019), an instrument is declared reliable if its reliability value is lower than 0.7. Meanwhile, Cronbach's Alpha in PLS is said to be reliable if the value is 0.5 (Yamin, 2009). The results of the reliability test in this study can be seen in Table 2. The results show that composite reliability and Cronbach's alpha coefficients from each construct can be concluded that all variables have met the criteria for composite reliability.

Evaluation of the Structural Model

The next stage is to conduct a structural evaluation (inner model). The Structural or Inner Model describes the relationship between latent variables based on substantive theory (Ghozali, 2014). This test includes a model fit test (model fit), path coefficient, and R2. In the model fit test, there are three test indices, namely average path coefficient (APC), average R-squared (ARS), and average variance factor (AVIF), with APC and ARS criteria accepted on the condition that p-value < 0.05 and AVIF are smaller of 5 (Sholihin & Ratmono, 2020). The results for the General SEM of this study are shown in Table 3.

Based on the results shown in Table 3, APC, ARS, and AVIF values have met the criteria. Furthermore, the structural model can be tested by looking at the R-Square value, a goodness fit model test (Ghozali, 2014). Changes in the value of R-Squares can be used to explain the effect of the independent latent variable on the latent dependent variable and whether it has a substantive effect. The R-squares value is 0.75, indicating a robust model, whereas 0.50 and 0.25 can be concluded that the model is moderate and weak. The results of the PLS R-Squares represent the amount of variance from the construct described by the model (Ghozali, 2014). Based on the results, it can be seen that the existence of village governance variables can be explained by the variables of GICS, Village Financial Management, Apparatus Competence, and Organizational Commitment by 36.6%.

Table 2. Composite reliability and Crombach alpha test

Coefficient	GICS	VFM	APR	OC	VG
Composite reliability	0.871	0.843	0.897	0.833	0.941
Cronbach's alpha	0.822	0.766	0.868	0.749	0.932

Table 3. General SEM's Result

Test Indices	Index	*P-Values*	Criteria	Note
Average path coefficient (APC)	0.146	P=0.009	P<0.05	Accepted
Average R-squared (ARS)	0.366	P<0.001	P<0.05	Accepted
Average variance factor (AVIF)	2.577		acceptable if <= 5, ideally <= 3.3	Accepted

Hypothesis Testing Results

After the structural model evaluation stage, the next stage is hypothesis testing. The criteria used is the p-value; if the p-value is less than 0.05, the hypothesis is accepted. If it is greater than 0.5, therefore the hypothesis is rejected. The result of data processing using WarpPls 7.0 is shown in Table 4.

The first hypothesis (H1) in this study states that the GICS affects village governance. The test results on the path coefficient between the GICS and village governance show a path coefficient value greater than 0.1 and a p-value less than 0.05. Thus the first hypothesis is accepted. These findings align with Amijaya's research (2019), which states that by applying an internal control system correctly, it will be able to produce accountable financial reports. Therefore good governance can be established in government. In conclusion, a good government internal control system can also create good governance.

H2 states that village financial management affects village governance. The test results on the path coefficient between village financial management and village governance show

that the path coefficient value is greater than 0.1, and the p-value is smaller than 0.05. Thus H2 is accepted. These results align with the research by Savitri et al. (2019) conducted in Riau Province, which shows that sound financial management describes good accountability and will lead to good village governance. Sirajudin (2019) also obtained the same results, where managing village funds had a positive but insignificant effect on good governance. In other words, good village financial management is needed to improve village governance. By having good management of village finances to achieve organizational goals, the transparency and accountability of the apparatus in managing village funds will increase.

H3 states that the competencies of the apparatus affect the village governance. The test results on the path coefficient show that the path coefficient value is greater than 0.1, and the p-value is greater than 0.05. Thus H3 is rejected. These results contradict Arulrajah (2016) but align with research conducted by Arifal and Abral (2013), which states that human resources do not affect governance. In other words, the competence of the apparatus plays little role in improving governance. This is probably because village government governance activities are quite simple, not yet requiring high apparatus competence. Even so, there is still a need for routine socialization for officers in carrying out their duties.

H4 states that organizational commitment can moderate the relationship between the government's internal control system and the village government. The moderating var-

Table 4. Hypothesis Testing Results

Hypothesis	Path Coefficient	*P-value*	Result
H1	0.14	<0.001	Accepted
H2	0.28	<0.001	Accepted
H3	0.05	0.23	Rejected
H4	0.14	0.02	Accepted
H5	-0.14	0.02	Accepted
H6	-0.04	0.30	Rejected

iable implies that the causal relationship between the two variables changes as a function of the moderator variable. The path coefficient value is greater than 0.1 and the p-value (0.02) is less than 0.05. Thus hypothesis 4 is accepted. Thus organizational commitment to implementing an internal control system helps village governance. Different results occurred in the study of Siwambudi et al. (2017); the interaction between organizational commitment and the government's internal control system does not affect the quality of the Klungkung Regency Local Government Financial Report (Laporan Keuangan Pemerintah Daerah, LKPD) as one measure of good governance.

H5, which states that organizational commitment can moderate the relationship between village financial management and village governance, is accepted. The test results show that the path coefficient value is less than 0.1, and the p-value is less than 0.05. Organizational commitment will improve financial management and lead to good village governance. Defitri (2018) argues that regional finances must be managed orderly, complying with laws and regulations, effectively and efficiently, economically, transparent, and responsibly by paying attention to the principles of justice, propriety, and benefits for the community. According to Defri (2018), the function of regional financial management is attached to the elements of task implementation, which consist of allocating the potential of regional economic resources, the process of preparing the Local Government Budget, the existence of performance benchmarks and standardization, the budget implementation by accounting principles, the existence of a regional head financial accountability report, and existing function in controlling and supervising regional finances.

Lastly, the results of the H6 test show that the path coefficient value is greater than 0.1

and the p-value is greater than 0.05, so H6 is rejected. Organizational commitment cannot moderate the relationship between competence and village governance apparatus. These findings differ from Edlin's (2018) that organizational commitment can moderate the relationship between apparatus competence on the quality of financial reports. The difficulty of work carried out at the village level is likely a cause of organizational commitment not being able to strengthen the relationship between the competence of officials and village governance. In a different workplace, exemplary organizational commitment is needed to strengthen the relationship between village financial management and governance. In an effort to realize good governance, organizational commitment to improving the quality of human resource competence can be made by organizing education and training. This will also improve the quality and performance of the apparatus in carrying out the work.

Organizational commitment is a picture of a situation mutually agreed upon by all individuals in an organization to achieve common goals in the future (Arifin et al., 2019). The purpose of GICS, which is to oversee the activities of government organizations in order to achieve good governance, can be achieved if all of its apparatus are committed to achieving the same goal (Raiborn et al., 2017). Organizational commitment is also needed to strengthen the influence that accountable village financial management can have on the creation of village governance. Suppose the organization carries out its activities to achieve the goals of the organization without prioritizing personal or group interests. In that case, it can be implied that financial management will run under applicable laws and regulations also be accountable.

CONCLUSION

This study aims to see the possibility of achieving village government with organizational commitment as a moderating variable in the village government of Rokan Hilir Regency. Based on data processing and analysis results, The Government's Internal Control System and Village Financial Management affect Village Governance, while apparatus competence does not influence village governance. Meanwhile, organizational commitment could not moderate the relationship between the government's internal control system and village governance but also between the apparatus competence and village governance. However, organizational commitment can strengthen the relationship between village financial management and village governance.

The research data was limited to only four representatives of the village apparatus per unit and only those who returned the questionnaire on time in Rokan Hilir Regency, Riau Province. Such limitation was a result of time constraints and restricted research funds. The research data was only obtained from questionnaires and did not use interview techniques to convince respondents' answers. Therefore, it is estimated that some respondents still need help understanding the questions specified in the questionnaire. For further research, we recommend adding other variables as factors that can affect village government governance. In addition to the questionnaires, in obtaining data from respondents, interview techniques are required for researchers to understand the respondents' answers better and enrich their research.

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APPENDIX

Appendix 1. Loading value of latent construct indicators and to other constructs

Indicator	Loading	Criteria	GICS	VFM	APR	OC	VG
X1.2	(0.724)	>		-0.157	0.092	-0.018	-0.064
X1.3	(0.769)	>		-0.063	0.093	-0.062	-0.082
X1.4	(0.752)	>		-0.034	-0.113	0.231	-0.005
X1.6	(0.777)	>		0.048	-0.112	-0.020	-0.006
X1.7	(0.686)	>		-0.017	0.063	-0.069	0.057
X1.8	(0.657)	>		0.247	-0.014	-0.075	0.119
X2.1	(0.659)	>	0.035		-0.145	-0.028	0.195
X2.2	(0.770)	>	-0.066		0.141	-0.184	0.082
X2.3	(0.770)	>	0.108		-0.084	-0.165	-0.017
X2.5	(0.709)	>	-0.102		-0.017	0.343	-0.187
X2.6	(0.682)	>	0.025		0.093	0.064	-0.068
X3.4	(0.645)	>	-0.093	0.153		0.207	-0.042
X3.5	(0.662)	>	-0.006	-0.178		0.120	-0.007
X3.6	(0.650)	>	-0.114	0.136		-0.258	0.098
X3.7	(0.662)	>	-0.012	0.025		-0.231	0.023
X3.8	(0.714)	>	0.101	-0.098		0.121	-0.104
X3.9	(0.768)	>	0.091	-0.056		-0.286	0.049
X3.10	(0.834)	>	-0.002	0.022		0.090	-0.014
X3.11	(0.830)	>	0.008	0.010		0.201	0.002
Z1.2	(0.655)	>	-0.049	0.166	0.070		-0.066
Z1.3	(0.692)	>	-0.337	0.137	0.209		-0.130
Z1.4	(0.766)	>	0.124	-0.137	-0.093		0.000
Z1.6	(0.754)	>	0.091	-0.143	0.014		-0.032
Z1.7	(0.662)	>	0.153	0.014	-0.197		0.238
Y4	(0.726)	>	0.027	-0.124	-0.042	0.162	
Y5	(0.723)	>	0.000	-0.212	-0.021	0.120	
Y8	(0.621)	>	0.068	0.074	-0.012	0.228	
Y9	(0.514)	>	0.046	0.079	-0.046	0.107	
Y10	(0.708)	>	-0.120	0.175	-0.078	0.023	
Y11	(0.779)	>	-0.111	0.196	-0.050	0.020	
Y12	(0.763)	>	0.038	-0.037	-0.115	0.110	
Y14	(0.731)	>	-0.065	-0.106	-0.095	-0.003	
Y15	(0.700)	>	-0.125	0.062	-0.044	-0.026	
Y16	(0.855)	>	0.007	0.077	-0.114	-0.069	
Y17	(0.836)	>	-0.107	0.020	0.049	0.005	
Y18	(0.533)	>	0.193	-0.007	-0.126	-0.266	
Y21	(0.695)	>	-0.015	0.041	0.359	0.176	
Y22	(0.723)	>	0.129	0.231	0.125	-0.146	
Y23	(0.657)	>	0.103	-0.317	0.114	-0.300	
Y24	(0.675)	>	0.034	-0.183	0.101	-0.177	