A study on the Relationship between Performance Management and Citizen Satisfaction in the Indonesian Local Government

인도네시아 지방정부의 성과관리와 시민만족도의 상관관계에 관한 연구

February 2023

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Submitting a master's thesis of Public Administration

October 2022

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December 2022

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Abstract

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The purpose of this study is to examine the relationship between performance management and citizen satisfaction in the local governments of Indonesia using the Government Performance Accountability System (SAKIP) evaluation score as a measure of performance management and the Public Service Quality Perception Index as a measure of citizen satisfaction. This research used panel data regression with fixed effect model estimation, as well as based on interviews with several managers in the Ministry of Administrative and Bureaucratic Reform.

The result of this study finds that performance management has a positive and significant effect on citizen satisfaction when the overall SAKIP score is used

as the independent variable. However, when each component of the SAKIP score such as performance planning, measurement, reporting, evaluation, and achievement elaborated as the independent variable, the result is not statistically significant, indicating a shortcoming in the instrument of SAKIP evaluation. Therefore, according to these findings, it is recommended to enhance the instrument of SAKIP evaluation to make sure that the performance management is well-implemented in the local government so that citizen satisfaction increased, as well as take actions to ensure that the local leaders and managers understand the essence of the performance management system.

Keywords: Performance Management, Citizen Satisfaction, Indonesia, Local Government

Student ID: 2021-22494

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Chapter 1: Introduction

1.1. Background and Purpose of Study

Indonesia has experienced a long history of realizing good governance. During the New Order era, from 1966 to 1998, the government system represents centralized ways that lead to the power of the president as both head of state and head of government, government bureaucracy at that time was known as the officialdom. In this era, as bureaucrats increasingly engage in corruption, collusion, and nepotism, society's negative view of the public bureaucracy is narrowing. (Thoha, 2012).

When the New Order era collapsed and Indonesia entered the reform era, The Indonesian government faced the challenge of recovering trust in public services in order to achieve good governance. One of the fundamental things that the government does is the issuance of Law number 28/1999 concerning a Clean and Free State Administration from Corruption, Collusion, and Nepotism which explains that accountability is one of the fundamental elements in the state administration, as well as the basic principles of good and clean government.

The euphoria of reform and the disclosure of information regarding government programs in the reform era created many opportunities for the public to know, follow, evaluate, and criticize government programs. A vital component of improving the government of Indonesia is making government agencies accountable to the public for how they carry out their main duties and functions and applying the concept of good governance.

The public sector reform trend that is happening in Indonesia is highly affected by the concept of the New Public Management (NPM) paradigm which emphasizes the government's performance and argues that the government should apply entrepreneurial-based techniques and function like a business organization (Osborne & Gaebler, 1992). It appears that the concept of NPM, which reflected a new paradigm aimed at transforming the public sector through organizational reforms that emphasize performance in terms of effectiveness, efficiency, and service quality, is closely aligned with the more comprehensive political theory of governance, in that it places a high focus on results. This has resulted in a greater focus on good governance under NPM (Stoker, 1998).

According to United Nations Development Programme (1997), the component of good governance includes participation, rule of law, responsiveness, consensus-oriented decision-making, equity, efficiency and effectiveness, accountability, and strategic vision. Therefore, the availability and the spread of information about policies, programs, resource allocations, and service performance are fundamental elements of good governance. Since NPM places a higher emphasis on markets, citizen satisfaction, and government transparency, improving accountability is the main goal of good governance linked with NPM reforms. As a result, the topic of performance management is on the institutional reform agenda in order to increase government agency productivity, transparency, and accountability, particularly at the local level (Jurnali & Siti-Nabiha, 2015).

Along with bureaucratic reform agenda and good governance practices, Indonesia has also given increasing focus to performance management. Performance management, therefore, has been implemented through a number of laws and

regulations issued by the government of Indonesia by establishing a more precise, clear, and measurable system of planning and accountability that has been developed and implemented, which is the Government Performance Accountability System/Sistem Akuntabilitas Instansi Pemerintah (SAKIP). This system is the practical implementation of the performance management system in Indonesia to ensure the accountability of providing public services by measuring the extent to which the government has met the performance standards.

The concept of SAKIP as a tool of performance management in Indonesia aims to integrate planning, budgeting, measuring, reporting, and evaluating systems in government management. By implementing this system, it is expected that all government agencies in Indonesia, including local governments, will have good performance planning which has result-oriented goals and objectives followed by measurable performance indicators. The impact of having result-oriented goals and objectives will make all the programs suitable for the needs and expectations of the public which later increases the satisfaction of the public.

One of the main goals of performance management is to increase citizen satisfaction with the government, particularly through public service delivery, effectiveness, efficiency, and responsiveness. The objectives of SAKIP are in line with these goals. In this regard, several recent empirical studies have examined how performance management affects performance with a variety of measures and data. These studies have advanced our knowledge of how performance management and citizen satisfaction are related. However, these studies are limited in several aspects and lack conclusiveness (Ma, 2017). The number of studies examining the effects of performance management on citizens' satisfaction in Indonesia is very limited,

especially at the local level. Accordingly, this study examines whether performance management correlates with citizens' satisfaction in Indonesia. The research question of this research is:

Is there a relationship between performance management and citizen satisfaction in Indonesia's local governments?

1.2. Significance of the Study

Many researchers have conducted the study that related to performance management in the public sector in Indonesia (Nusantoro, 2009; Suwarno & Marwanto, 2021; Badrizaman & Chairunnisa, 2012; Acintya & Putri, 2015; Febiani, 2017). However, these studies are mainly focused on the effectiveness of performance management, in this context is SAKIP, in only one unit of analysis, either in local or central government. The study examines the performance implication of performance management, especially citizen satisfaction, in Indonesian local governments. Meanwhile, research on this topic has been extensively researched in other countries namely Korea, England, China, Israel, and so on (Andrews & Van de Walle, 2013; Im & Lee, 2012; Beeri, et al., 2019; Ma, 2018).

Therefore, this study will have a significant contribution as it will build a conceptual framework and clear evidence of how performance management affects citizen satisfaction. Ultimately, the results and conclusions of this study will provide policymakers with suggestions on how to enhance public sector performance management policies. This study will also give a wider perspective to the local governments on the significance of performance management implementation.

1.3. Scope of the Study

This study will examine the relationship between performance management and citizen satisfaction in Indonesian local governments. Local governments of Indonesia are the units of analysis in this study, which cover district and city governments in seven major islands: Sumatra, Papua, Java, Kalimantan, Sulawesi, Maluku, and Bali. District and city governments are chosen since they provide direct accountability to their local residents and are responsible for most of the key public services. Meanwhile, the provincial government is a representative of the central government and acts more like a coordinating body for a number of districts and cities.

1.4. Structure of Study

This study is divided into five chapters. The first chapter is the introduction, which covers an overview of the research, including the purpose and significance of the study. The second chapter presents a theoretical background and literature review, which also covers a review of the precedent studies on the topic of performance management and its relationship with citizen satisfaction. Chapter three elaborates on the design of the research, including the conceptualization and operationalization, methodology, and data source. Lastly, chapter five concludes the findings and conclusion as well as the recommendation regarding the performance management policy in Indonesia.

Chapter 2: Theoretical Background and Literature Review

2.1. Performance Management in the Public Sector

A key aspect of performance management is the emphasis on measurable outcomes and outputs for public agencies as well as the use of performance data to guide policy decision-making (Van Dooren et al., 2010; Vigoda-Gadot & Mizrahi, 2014). The purpose of performance management is to ensure an organization achieves its goals with a continuous process that involves setting goals, tracking progress, and providing coaching and feedback. Typically, managing performance in the public sector involves strategic planning, setting overarching goals, and implementing performance measurement (Poister, 2010). When goals and expected performance are established through strategic planning, monitoring the process can provide valuable information that can be used to address issues and improve actions in the future. Ultimately, this will lead to better management decisions and improved performance by utilizing this information in decision-making.

According to Pollitt (2013), there are five elements in the performance management system which can be seen in Figure 2.1. The first element is the activity which is usually represented by programs or policies in government agencies. The object of the performance management system is activity. The second element is the measurement to gauge one or more aspects of the activity. The third element is data, which is generated by the measurements, usually in the form of numbers but not always. The fourth element is the application of some set of criteria to the data, an

aspect sometimes under-discussed in the literature. It is crucial to complete this stage in order to give them context and turn them into information. The final element is how various stakeholders, such as service delivery teams, managers, legislators, service customers, and the broader public, use (or misuse) the data.

Figure 2.1. The Basic Elements of Performance Management
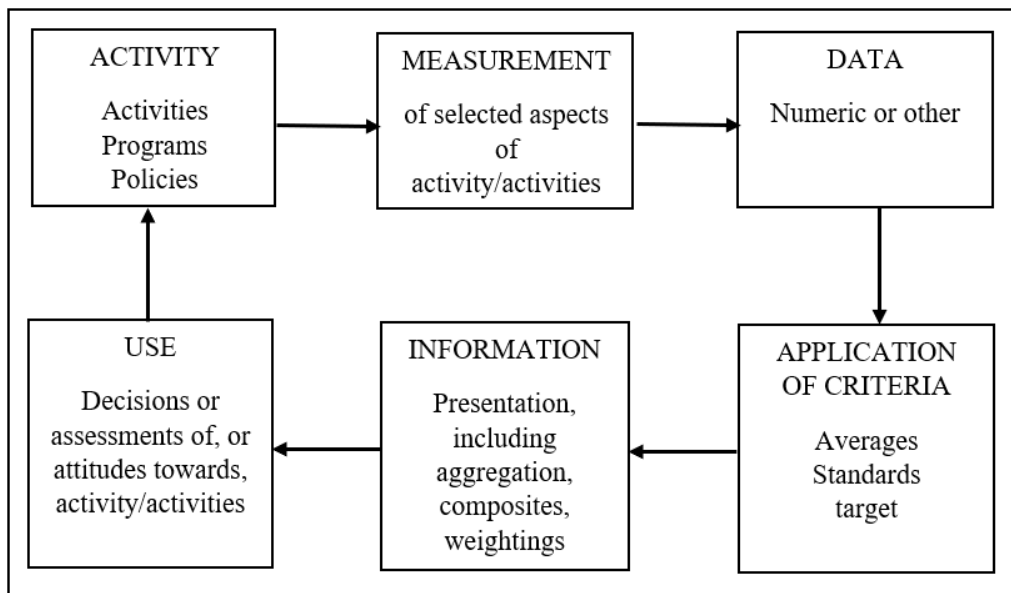
Source: Pollitt (2013)

One of the key concepts of performance management is the emphasis on the result rather than the process. Hood (2012) asserts that performance management reorients public managers to manage for results rather than concentrating on administrative procedures and processes. Moynihan & Pandey (2010) also stated that performance management put less emphasis on input and process control. Target setting is one of the mechanisms to ensure that the organization creates result-oriented goals and objectives. By linking goals with outcomes, target setting can address the problem of goal ambiguity. Additionally, target setting also has the

purpose of combating bureaucratic imperialism and minimizing information asymmetries between stakeholders and bureaucrats (Walker et al., 2010).

Primarily, performance management consists of setting up measuring and reporting procedures, as well as delegating responsibility (Leinonen, 2001). Lancer Julnes & Holzer stated that reviewing the quality of strategy and strategic planning based on data and feedback from the measurements is an essential step in the performance management process. A process for collecting performance data and preparing and distributing performance reports is also part of the process. However, it must be noted that there are also substantial differences in how performance management schemes are built, and there is no consistent use of performance management terms across academic disciplines. A weaker version of the performance management cycle described above is sufficient for implementing the notion, although other studies use the word in a more restrictive manner. Therefore, only management strategies that include additional elements of performance management qualify for more restrictive definitions of performance management. These include the use of performance contracts, incentives related to performance, strategic planning, the creation of a culture of performance, or strengthening managerial authority (Nielsen, 2014).

In the United States (US), to enhance strategic planning and performance management inside the US Federal Government, Government Performance and Results Act (GPRA) was passed in 1993 (Lynn Jr., 1999). According to the Act, Together with Congress and other stakeholders, federal agencies must develop a mission statement, a long-term strategic plan, set annual performance goals based on outcomes, assess their success against these goals, and report to Congress their

findings (Ho, 2007). The GPRA mandates that through this strategic plan requirement, federal agencies re-evaluate what is necessary for them to achieve their goals. Additionally, the GPRA mandates that agencies track their progress toward achieving their goals in annual performance plans and report on it annually in program performance reports (Lim & Park, 2007). The management reform in the US also has similarities to other parliamentary systems that were much less complex and smaller than the US (particularly New Zealand, Australia, and the United Kingdom) (Radin, 1998).

The Asian financial crisis of 1997 has prompted most Asian countries, developed and developing, to adopt performance management systems in their bureaucracies (Koike, 2013). In South Korea, The Framework Act on Government Performance Evaluation (FAGPE) of 2006 embodies the core policy of government performance management and evaluation. With the intent of enhancing accountability, effectiveness, and efficiency, this law incorporates and is substantially inspired by the US GPRA of 1993. As part of the 2006 FAGPE law, central government agencies are required to create annual performance management execution plans and medium- to long-term performance management strategic plans. In order to achieve the strategic objectives of the agency and its affiliates, the Performance Management Strategic Plan will be reviewed at least once every three years. The central government, on the other hand, is also expected to develop an annual performance management action plan that includes tasks, strategic objectives, yearly performance objectives, annual performance indicators, and financial performance results for the previous three years. (Yang & Torneo, 2015).

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The development of performance management also arises amount Southeast Asian countries, including Malaysia. In 1999, Malaysia established Integrated Results-Based Management (IRBM). A key component of the IRBM system is an Integrated Performance Management Framework (IPMF) that integrates the Results-Based Budgeting (RBB) System and the Personnel Performance System (PPS). This system allows ministries and departments to analyze issues on how resources are used (inputs), activities are completed, outputs are achieved, and outcomes/impacts are accomplished at various phases of program implementation. It strives to build a results-based management system across the whole Malaysian government (Koike, 2013).

Meanwhile, in Singapore, performance management is concentrated on establishing outcome indicators (Blondal, 2006). Each of the outcomes has a series of Key Performance Indicators (KPIs) that have been given to the owner ministries. The Singaporean government also makes an effort to coordinate its strategic planning with the fiscal year (Koike, 2013). A series of KPIs also started to be used in all government agencies in Thailand to achieve the targets as a part of implementing results-based management. In order to implement results-based management in Thailand, four aspects including organizational development, quality of services provided, organizational effectiveness, and efficiency of work performance were considered by government agencies in developing performance indicators, along with scoring criteria (Lorsuwannarat & Buracom, 2011).

The use of a performance management system surely will bring a lot of beneficial impact on the government. However, as stated by Beri, et al., (2019), performance management techniques may become a double-edged sword if they are

not in the right settings, utilized appropriately, and without taking macroeconomic data into account. The goal of performance management is to enhance the competitiveness, efficiency, and effectiveness of local services through the implementation of professional and rational policies, as well as management practices. It is important to note, however, that political principles like justice, fairness, and honesty may not necessarily align with the constant pursuit of organizational performance and efficiency. As a result, local leaders will likely focus on simple, easy-to-achieve goals if performance management is not conducted professionally and fails to meet minimum standards of good governance. If this occurs, it is likely that the public would view performance management cynically and as a constrained, self-serving political designed to achieve political power.

2.2. Performance Management Practices in Indonesia

Performance management in Indonesia developed more as a result of the financial and economic crisis, the implementation of regional autonomy, and the change of regime in the late 1990s with the issuance of Presidential Instruction No. 7/1999 concerning government agency performance accountability and Law No. 28/1999 concerning a clean and free state administration from corruption, collusion, and nepotism (Koike, 2013). Under this regulation, all government agencies require to implement performance management under the name of Government Performance Accountability System (SAKIP). The regulation concerning SAKIP was followed by Law No. 17/2003 concerning State Finance and Law No. 1/2004 concerning State Treasury which explains that the principle of state financial

management is results-oriented accountability as well as the mandate to implement performance-based budgeting.

Until 1999, financial accountability was the primary focus of performance reporting and accountability for governmental organizations. However, performance measurement strategies and practices have been pushed since government agencies were mandated to report both financial and non-financial performance under Presidential Instruction number 7/1999. The obligation to report financial accountability as well as government performance accountability was also strengthened with the issuance of Government Regulation No. 8/2006 concerning the reporting of financial and government agencies' performance.

More detailed guidelines regarding the operationalization of SAKIP are then regulated in State Administration Decree number 589/IX/6/Y/99 and which is further refined by No. 239/IX/6/8/2003. According to these regulations, government regulations are required to develop strategic plans, performance plans, and performance measurements in order to create an accountability system for government performance. Furthermore, in order to comply with this law, the government must also prepare detailed guidelines for the implementation and evaluation of programs, as well as set clear performance targets, measurement indicators, and data collection systems. Consequently, it became mandatory for government organizations to create and submit annual performance reports.

Generally, there are four steps in the performance accountability system cycle. The first one is strategic planning which requires government agencies to connect their vision and mission with the opportunities and barriers that may exist. The second is performance measurement, which is used to determine if strategies and

actions were implemented successfully or unsuccessfully. This step requires an assessment of performance to be conducted based on inputs, outputs, outcomes, benefits, and impacts. The third step, performance reporting, summarizes each activity and program's outputs and outcomes. Finally, the last step is the utilization of performance information in order to make the performance improve continuously.

Figure 2.2. The cycle of SAKIP
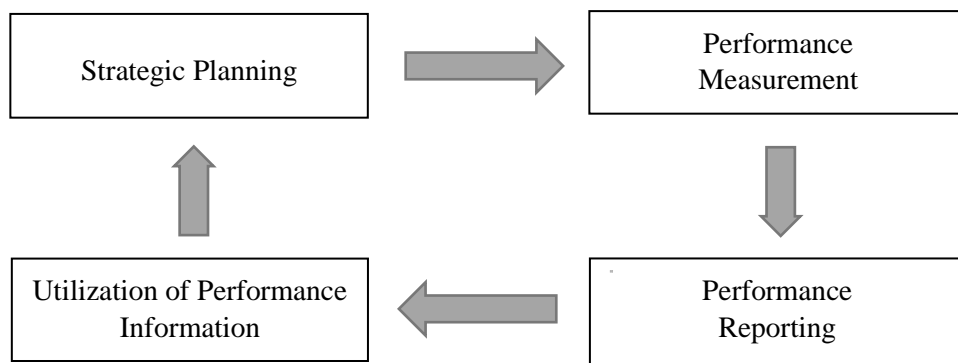
Source: Badan Pengawasan Keuangan dan Pembangunan (BPKP)

SAKIP is finally being regulated more comprehensively with the issuance of presidential regulation number 29/2014 concerning the Government Performance Accountability System which also explained that SAKIP is needed to improve the effectiveness of the use of results-oriented budgets. According to this regulation, the implementation of SAKIP includes six elements, which are strategic planning; performance agreement; performance measurement; performance data management; performance report; performance review; and evaluation which is described as follows:

a. Strategic Plan

Strategic plan or regional mid-term development plan (for local governments) is a document made within a five-year period which at least contains the vision, mission, goals, objectives, and strategies. The strategic plan in SAKIP is the first step that needs to be prepared so that the programs and activities that have been planned and prepared can respond to environmental needs. Moreover, in making a strategic plan or regional mid-term development plan, it has to be ensured that the targets of central and local governments are in line with the national development targets.

b. Performance Agreement

According to MABR number 53/2014, A performance agreement is a document that lists assignments that higher-ranking agency leaders delegate to lower-ranking agency leaders to complete. These assignments are accompanied by performance indicators. Through the performance agreement, the commitment of the trustee is realized and a set of measurable performance standards is agreed upon between the recipient and trustee, according to the recipient's duties, functions, and authorities as well as the trustee's resources. In conclusion, performance agreements must contain performance indicators and performance targets.

c. Performance Measurement

In order to ensure a greater level of public services and to increase accountability, performance measurement is one of the most important factors in implementing performance management. It clarifies the outputs and outcomes that will and should be achieved to ensure accountability for the

organization. As a management tool, performance measurement serves as a form of accountability in decision-making and assesses whether a program, activity, or policy is successful or not in accordance with the goals and objectives set by government agencies to realize their vision and missions.

In order to measure performance, the actual performance of the program is compared with the performance targets set out in the performance agreement. In addition, it is also compared with the performance goals in the five-year performance targets in the strategic plan. Moreover, according to MABR Regulation number 9/2007, all local governments must establish Key Performance Indicators (KPIs) as a tool for evaluating how well the organization accomplishes its strategic objectives and goals. It is important to formulate KPIs based on mid-term and strategic planning and they should meet the SMART criteria (specific, measurable, attainable, relevant, and timely) to ensure that the progress of the target's achievement is measured appropriately. Local governments must also develop outcome-based indicators in order to increase performance and accountability.

d. Performance Data Management

Performance data management is needed to ensure the performance data is well managed to determine year-to-year achievements. Performance data management includes: establishing baseline data; providing data acquisition instruments in the form of recording and registration data administration and storage; as well as compilation and summarization. Information systems are useful for managing performance data that are built on the basis of organizational needs, especially for monitoring and controlling

programs as well as activities. Performance data can be processed in the form of recording, processing, and reporting the results of performance data.

e. Performance Report

Every government agency is responsible for implementing tasks and functions entrusted to it for the use of its budget through the performance report. In preparing a performance report, it is crucial to measure performance and evaluate it, as well as disclose the results of the analysis of performance measurement. The purpose of the performance report is to provide measurable information on the performance achieved and which should have been achieved. Performance reports are also made as an effort to continuously improve government agencies' performance.

f. Performance Review and Evaluation

Every government agency including local governments is required to do a review of their performance report. This review is carried out by the government's internal supervisory apparatus in order to ensure the reliability of the presented information. The government's internal supervisory apparatus also has an obligation to do an internal evaluation of the implementation of SAKIP. This kind of evaluation is needed to find out the progress and obstacles encountered in implementing SAKIP internally.

The implementation of SAKIP was then evaluated to find out to what extent the implementation of SAKIP has been carried out as well as to encourage increased achievement of targeted and results-oriented performance. Presidential Regulation number 29/2014 concerning SAKIP has given a mandate to MABR to coordinate the evaluation of the implementation

of SAKIP in all government agencies in Indonesia. MABR then issued guidelines for evaluating the implementation of SAKIP with MABR Regulation number 12/2015, which was renewed by Regulation number 88/2021. This evaluation is expected to encourage every government agency, both central and local governments to commit and consistently improve the implementation of SAKIP in realizing the planned performance achievements (outcomes).

SAKIP evaluation is focused on the criteria that have been determined by taking into account the results of the previous year's SAKIP evaluation. The data and information used in the evaluation are the latest data and information used in the implementation of SAKIP during the evaluation. Important issues that need to be addressed through this SAKIP evaluation include:

1. The quality of the performance plan that is aligned to achieve sustainable results;

2. Continuous and tiered performance measurement which has become a necessity in strategy adjustment in achieving performance;

3. Performance reports that describe the quality of performance achievements, both the success/failure of performance as well as the improvement/improvement efforts that have a major impact on the adjustment of strategies/policies in achieving the next performance;

4. Evaluation of internal performance accountability that gives a real impression (impact) in improving the implementation of SAKIP for performance effectiveness and efficiency.

The evaluation of SAKIP must be able to provide conclusions on the results of the assessment of several variables, including the existing criteria in the application of performance management components which include performance planning, performance measurement, performance reporting, and evaluation of internal performance accountability as objective facts of government agencies/work units implementing SAKIP. These components are then stated in the evaluation worksheet, according to the criteria for each component. These variables are:

1. Component

    Consists of Performance Planning, Performance Measurement, Performance Reporting, and Internal Performance Accountability Evaluation.

2. Sub-component

    Divided by the gradation of Existence, Quality, and Utilization of each component.

3. Criteria

    Description of the conditions that need to be achieved in each sub-component to be able to assess whether these conditions have been or have not been achieved and can be described or not.

According to MABR Regulation number 12/2015, the evaluation worksheets present components, and sub-components, and are equipped with assessment criteria with the following weights:

Table 2.1. Performance Accountability Evaluation Components

Component	Weight	Sub-component
Performance Planning	30	Strategic Planning (10) and Annual Performance Plan (20%)
Performance Measurement	25	Measurement Fulfilment (5%), Measurement Quality (12,5%), and Measurement Implementation (7,5%)
Performance Reporting	15	Reporting Fulfilment (3%), Reporting Quality (7,5%) and Performance Information Utilization (4,5%)
Performance Evaluation	10	Evaluation Fulfilment (2%), Evaluation Quality (5%) and Evaluation Utilization (3%)
Performance Achievement	20	Output (4%), Outcome (10%), Benchmark (6%)
Total	100	

The final result value of the sum of the components provides an overview of the SAKIP score and predicate as follows:

Table 2.2. Performance Accountability Predicate

Predicate	Interpretation
AA (Score > 90 – 100)	Very Satisfactory
A (Score > 80 – 90)	Satisfactory

BB (Score > 70 – 80)	Very Good
B (Score > 60 – 70)	Good
CC (Score > 50 – 60)	Fair
C (Score > 30 – 50)	Poor
D Score > 0 – 30)	Very Poor

As of 2021, the implementation of SAKIP has been continuously increasing at every level, especially at the ministry and institution as well as at the province level. However, the improvement in district and city government levels is not significant. The graph below shows the trend of the percentage of the government agency that has a SAKIP implementation score of "B" and above.

Graph 2.1. Percentage of Government Agency with SAKIP Score of B and above
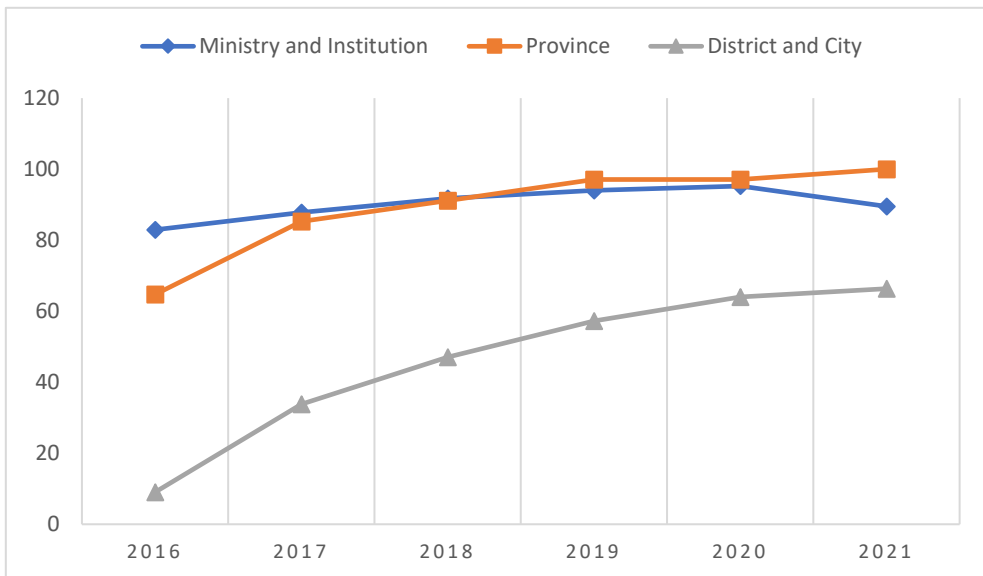
Source: Ministry of Administrative and Bureaucratic Reform

It can be seen from the graph that the district and city governments have the lowest percentage with SAKIP score of B and above, even though it is already improved from 9.03% in 2016 to 66.34% in 2021. This number means that in 2021, there are still 33.66% of district and city governments that have SAKIP scores below B, which means this district and city government still need improvement in the implementation of performance management. According to the Ministry of Administrative and Bureaucratic Reform SAKIP evaluation report. The government agencies that have the SAKIP score of CC and C have several problems in implementing performance management. Some of these problems are:

1. Key elements in performance planning have not been fully formulated properly. The majority of strategic goals and objectives are not results-oriented and have not been able to answer strategic issues, which can cause the successful achievement of performance or strategic targets cannot provide tangible benefits that can be felt by the citizen.

2. Some of the indicators of goals and objectives in performance planning are not specific, relevant, measurable, and sufficient. Additionally, performance targets are not adequately incorporated into the performance planning. Consequently, the performance indicators set have not been able to show the accuracy and reliability of the performance achievement.

3. The performance information presented in the performance report does discuss the factors that contribute to performance achievement. The information provided in the performance report is merely about the implementation of activities and budget absorption and does not elaborate on the effectiveness and

efficiency of resources. Thus, the performance report not being able to be used as a source in encouraging improvements and performance improvements.

4. The internal performance accountability evaluation system has not been able to encourage continuous improvement of performance management for each regional work unit. In other words, the evaluation hasn't yet resulted in improvements in the quality of specific and sustainable performance management implementations.

2.3.   Citizen Satisfaction

One of the most important factors in the delivery of public services is the level of citizen satisfaction with the services provided by the government. According to Daha (2000), this occurs because, on the one hand, there is a high demand for public satisfaction with government services, but in reality, the performance of the services offered by government officials has not improved significantly. Additionally, as expectations for the implementation of good governance grow, so do the demands for high-quality public services that can meet the needs of those being served. Government representatives must, therefore, make every effort to please the people they represent in their capacity as public employees.

The term satisfaction refers to how someone feels about numerous factors associated with a particular situation, particularly how their needs, expectations, and requirements are met (Wixom & Todd, 2005). Meanwhile, citizen satisfaction can be defined as the evaluation of a person's experiences with public services, including their feelings, opinions, and judgments of those services, as well as subjective assessments of their satisfaction (Im & Lee, 2012).

By assessing the function of a system objectively, satisfaction with the government reflects the quality of services provided to customers. In addition, it takes into account the relative weight given to the public's feelings, perceptions, expectations, and requirements for these services (Van Ryzin, 2004). The level of public satisfaction with the government depends on both expectations from and perceptions of the government (Orren, 1997). Based on the expectancy disconfirmation model, judgments are made about service recipients' satisfaction based on both their expectations and the performance of service providers. According to this model, citizens' satisfaction could be evaluated as a function of their perception of the quality of public services and public institutions that they interact with (Petrovsky, 2017).

Conceptually, expectations for various local government activities are linked to citizens' satisfaction. According to several studies, it is correlated with professionalism among public sector employees, service culture, and service quality. Various techniques have been operationalized for measuring citizens' satisfaction. Many scholars have searched the characteristics and elements that contribute to citizen satisfaction with a service such as quality of staff, fairness, and achievement of the desired results (Beeri, et al., 2019). In practice, local governments frequently employ survey techniques to measure citizens' levels of satisfaction with local services and find room for improvement (Boddington & Coe, 2000). For instance, Seoul Metropolitan City in Korea uses Seoul Service Quality Index to evaluate citizens' perception of the quality of public services. The element of citizen satisfaction in this index consists of several components including process quality, outcome quality, service environment quality, and social quality. Answers to

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questions about citizen satisfaction were evaluated on a 7-point Likert-type scale from very dissatisfied to very satisfied (Im and Lee, 2018).

Similarly, in Israel's case, the National Assessment Project for Local Government (NAPLG-IL) was used to measure Israeli residents' evaluation of local government services and their trust in them using indicators of the performance and quality of management. There are 15 items that are included in NAPLG-IL questionnaire to measure the citizens' satisfaction with a wide range of local services offered by the local authority (such as local welfare) on a 5-point Likert scale from totally dissatisfied to very dissatisfied (Beeri & Yuval, 2012).

In Indonesia's case, the government of Indonesia has responded to the demands for the importance of citizen satisfaction in every public service by issuing various policies related to public services, which is Law number 25/2009 on public services, MABR regulation number 14/2017 concerning guidelines for performing citizen satisfaction surveys for public service delivery units, and MABR regulation number 17/2017 concerning guidelines for evaluating the performance of public service delivery units. According to these regulations, the citizen satisfaction survey must be done a minimum of once a year and can be done every three months and six months specifically in a working unit that delivers the public service both directly or indirectly, not for the government agency as a whole.

The citizen satisfaction survey that has been done by the government agency is conducted to obtain a citizens' satisfaction index which is defined on a scale of 1 to 4. The survey uses a 4-point Likert scale from very dissatisfied to very satisfied. There are several components that should be covered in this survey, the first one is about service quality which includes the clarity of the information and procedure as

well as the consultation and complaint service. The second component is regarding deviant behavior in providing public services to see if there is deviant behavior that is done by the service officers to the service recipient such as discrimination, gratification, and a broker.

2.4. Literature Review on the Relationship between Performance Management and Citizen Satisfaction

There has been an increase in literature on the performance implications of performance management in numerous sectors and contexts over the past ten years, together with the global adoption of NPM, which encourages results-oriented and citizen-centered public management (Wang, 2002; Yang and Hsieh, 2014). One of the performance impacts of performance management is public service performance which can be measured by citizens' satisfaction. Since performance management aims to improve the use of organizational resources and strengthen the alignment of those resources with specific goals, one would expect citizens to reflect positively on these efforts. Most importantly, a major responsibility of local leaders is to effectively manage and deliver local public services, and a performance management approach is likely to result in complex effects on the satisfaction of the service recipient, which is the citizen (Beeri, et al., 2018).

Performance management is characterized by the concept of performance measurement, which provides citizens with a wide range of information related to accountability, improvement, understanding, and mobilization, including inputs, outputs, efficiency, effectiveness, and outcomes (Lancer Julnes, 2008). According

to Yang & Holzer (2006), through the improved public perception of service performance, the measurements eventually improve citizens' trust in the government. Aside from performance measurement, the use of performance information can also affect citizen perceptions. Noda (2021) suggests that if citizens are provided with accurate information regarding performance standards and are informed about the performance indicators in a comprehensible manner, performance-related information can influence their perceptions.

According to Sun & Van Ryzin (2014), as performance management policies improve administrative and managerial processes, the goal to improve service delivery is also met. Developing managerial abilities, monitoring organizational outcomes, and making policy decisions may be enhanced by the mechanisms of planning, monitoring, and learning from mistakes. This approach might entail enhancing performance management through data analysis, information management, system reviews, and feedback regarding system success or needed adjustments. In this case, performance measurement aids local governments in adapting their operations, policies, and choices to meet the expectations and demands of citizens. By implementing these practices, services can be improved and tailored to better suit the needs of the public, resulting in greater satisfaction and trust.

Local government activities can also be more accessible to citizens with performance management strategies. As part of a performance management system, indicators and data are selected and developed so that stakeholders within the local governments can communicate about the goals, the means to attain them, and who is responsible for the implementation of a project internally and externally. A

management-by-results approach, a management-by-objectives approach, and the ability to measure outcomes can improve the public's perception of the government's fairness, effectiveness, and reliability (Hakes, 2000; Moynihan, 2006). According to Vigoda-Gadot & Mizrahi (2014), Through local performance management, local politicians and bureaucrats are said to become better strategic managers and decision-makers, thus developing results-oriented management. As a result, citizens will have greater trust in local governments and will be more satisfied with the services they receive.

A study conducted by Andrews & Van de Walle (2013) finds that performance management is positively related to citizens' perceptions of government performance in the case of British local governments. In various previous studies, citizens' evaluations of public services were also demonstrated to be useful in terms of their satisfaction with or trust in them. They were also found to correlate positively with management quality, fairness in policy-making and implementation processes, and NPM reforms.

Ma (2017) examines the relationship between performance management and citizen satisfaction with the government among 19 major cities in China. This study focuses on four components of performance management, which are citizen participation, performance feedback, performance accountability, and information openness. Using survey data and multilevel modeling, this study analyzes how citizens perceive government performance based on multiple performance management components. This study finds that When performance management is implemented, citizens' perceptions of public service performance, government efficiency, effectiveness, and responsiveness improve. Thus, performance

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management is an effective management tool to enhance government performance and increase citizen satisfaction. Aside from that, this study also reveals that governments should develop their performance management systems to meet the demands of the public.

Another study by Beeri, et al., (2018) also finds that there is a correlation between greater use of performance management techniques and greater satisfaction with local government among Israeli residents. This study focuses on three aspects of the performance management process: planning and setting goals, monitoring, and performance review. It may be worthwhile to use performance management strategies and procedures to improve local government and public administration in general regardless of the political risks and efforts involved. Thus, performance management initiatives can improve the responsiveness, responsibility, and outcome-driven management style of local leaders.

Im & Lee (2012) examined the relationship between internal management performance and citizen satisfaction in the public sector in Seoul city. This study focuses more on how managerial performance will affect citizen satisfaction. The measurement of the level of performance management relies on the Seoul Service Potential Index (SSPI), which evaluates an organization's internal capacity, while the level of citizens' satisfaction is measured by the Seoul Service Quality Index (SSQI) which measured how satisfied the citizens with the services provided by the 25 district governments. The findings of this study revealed that districts with higher levels of performance management provide higher levels of user satisfaction regarding the services they offer.

According to the literature review above, the hypothesis of this study is formulated as follows:

H1: Performance management has a positive effect on citizen satisfaction in the Indonesian local government

It is expected that the higher the quality of performance management, the higher level of citizen satisfaction.

Chapter 3: Research Design

3.1. Conceptualization and Operationalization

The previous chapter explained the definition and the context of performance management and how it can influence the satisfaction of the citizen. Therefore, this chapter the relationship between performance management and citizen satisfaction in the Indonesian local government, Therefore, the unit of analysis in this study is the local government in Indonesia, specifically at the city and district and city government levels as this organization is the main actor to provide public services to their residents.

3.1.1. Independent Variable

The independent variable of this study is performance management. This study will use SAKIP score to measure the quality of performance management in the Indonesian local government as it is considered to be the most objective measurement since this system covered several elements of performance management such as performance planning, performance measurement, performance report, and performance evaluation. The score is generated from the evaluation of performance accountability that is conducted every year. The result of the evaluation is then published in the evaluation report. The data that will be used in this study is a four-year period from 2018 to 2021.

The implementation of SAKIP portrayed accountability as well as performance management at the organizational level. As explained by

DeNisi (2000), even though the link between individual and organizational levels becomes more tenuous since its distance increases, all performance management efforts ultimately aim to affect performance at the highest level of an organization. This explanation also applied in the case of SAKIP, although this system incorporated some part of performance management at the individual level, the main idea of the system is to apply the practice of performance management at the organizational level to improve the performance of the organization.

3.1.2. Dependent Variable

The dependent variable of this study is citizen satisfaction which will be measured by the public service quality perception index which reflects the extent to which the quality of services provided by a local government in increasing the satisfaction of service recipients, in this case, the community. The public service quality perception performance index (Indeks Persepsi Kualitas Pelayanan Publik/IPKP) is generated from a survey conducted by the MABR which is held annually as one of the components of the assessment results of the bureaucratic reform agenda. This survey is considered to be the most suitable measure for this study since the component of this survey is the same for every local government.

The survey is conducted every year and covers several aspects of public service quality such as process quality and service environment quality. Questions about citizen satisfaction were answered from very dissatisfied to very satisfied and were ranked according to the 6-point Likert-type scale. The survey results were then converted into an aggregated score.

The respondent of this survey is the individuals that received the service from the major department that has the duty to directly serve the public rather than the one that never received any services from the government.

3.1.3. Control Variable

To examine the relationship between two variables, controlling other variables is needed. This study will use regional characteristics such as socioeconomic situation as well as population density since this control variable is proven to affect citizen satisfaction according to several studies. For instance, in Israel, the study conducted by Beeri et al., (2019) finds that A higher socioeconomic status is associated with greater satisfaction with the local government. It was also found that disadvantaged local authorities are more likely to engage in more extensive performance management techniques since their residents are more likely to be satisfied with their performance management.

A study conducted by Im and Lee (2012) includes population growth and density as the control variable and this study finds that population density significantly affects the relationship between management performance and citizen satisfaction in Seoul city since population density explains the differences in living conditions among the areas inside the city. Therefore, according to these studies, this study will use several variables to control the relationship between performance management and citizen satisfaction in the Indonesian local government, namely poverty rate and

Gini ratio as a metric to see the economic status, as well as the demography of the district and city such as population growth and density.

Figure 3.1. Conceptual Framework

Independent Variable
Performance Management
The SAKIP score in 172 local governments in Indonesia from 2018 to 2021

Control Variable
➢ Poverty rate
➢ Gini Ratio
➢ Population density
➢ Population growth

Dependent Variable
Citizen Satisfaction
Public Service Quality Perception Index (IPKP) in all 172 local governments in Indonesia from 2018 to 2021
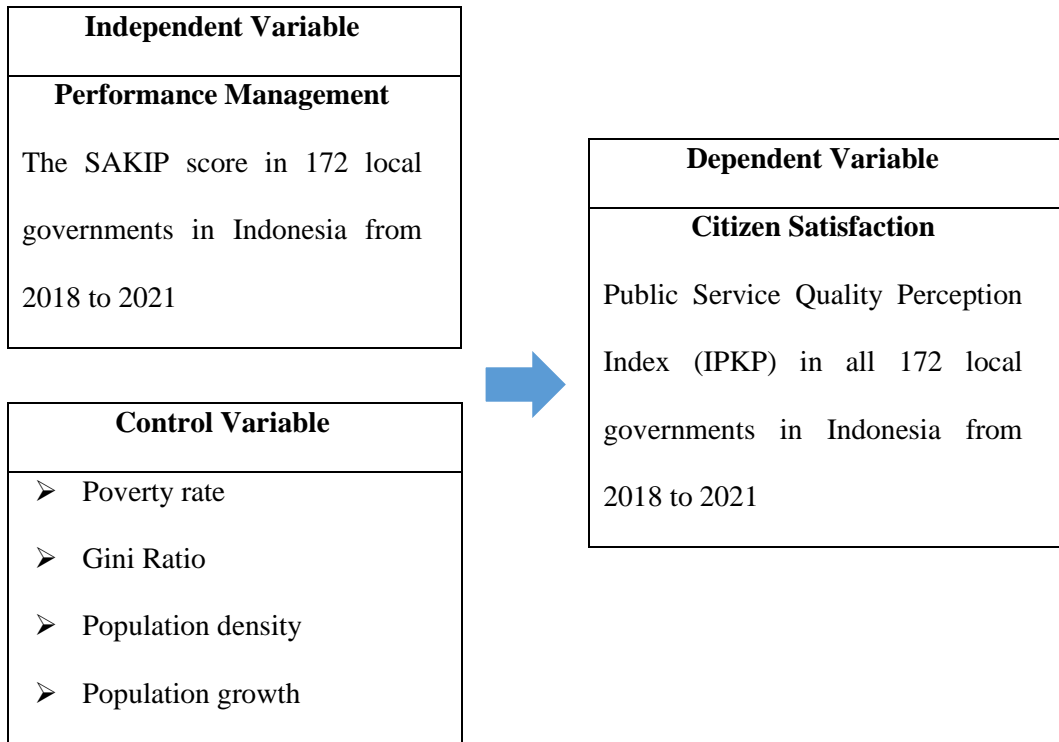
3.2. Methodology

This study will use quantitative research methods with a descriptive approach used to analyze the data by describing the data that has been accumulated as it is without intending to make conclusions that apply to the general or generalization. This method will be used to explain whether performance management has an impact on the performance of the Indonesian local government.

The data that will be used in this study is secondary data in a form of panel data set. Panel data is a combination of time series and cross-section data. In simple terms, panel data can be defined as a data set in which the behavior of cross-sectional

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units is observed over time. Panel data is often also called pooled data (pooling time series and cross-section) (Ghozali, 2017).

The data analysis technique used in this research is panel data regression. Panel data regression is divided into two, which are balanced panel data and unbalanced panel data. Balanced panel data is an object of observation that is observed in the same time duration, so the panel data will be said to be balanced. However, if not all object units are observed at the same time or it could be due to missing data in the research object, then the panel data is said to be unbalanced or unbalanced panel data (Greene, 2003 in Ghozi and Hermansyah, 2018). This study uses balanced panel data, which means that observations are made on the object of observation based on the same time duration.

Panel data regression is chosen since it has many advantages. According to Baltagi (2001), panel data enables us to control the heterogeneity of cross-section units such as individuals, states, and countries over time. All cross-section units are treated as heterogeneous in panel data estimation. Moreover, compared to pure cross-section and time series, panel data estimation is better to identify and measure the effects of independent variables on dependent variables which we cannot measure using time series and cross-section data.

According to Ghozi and Hermansyah (2018), in panel data analysis there are three choices of estimation models that can be done, which are:

a. Common Effect

The Common Effects model is the most basic model or estimation method in panel data regression, which still uses the principle of ordinary least squares

or small squares. Therefore, this method is also known as pooled Ordinary Least Square (OLS).

b. Fixed Effect

The fixed Effect Model is a fixed model approach that assumes that the intercept and slope (β) of the regression equation are considered constant both between units of cross section and between units of time series. One way to pay attention to cross-sectional units or time-series units is to enter a dummy variable to see if there are differences in the value of different parameters, both across cross-sectional units and between time-series units. The most common approach is using Least Square Dummy Variables (LSDV).

c. Random Effect

The Random Effect is caused by variations in the value and direction of the relationship between subjects, assumed to be random, which is specified in the form of residuals. This model estimates panel data in which residual variables are thought to have a relationship between time and between subjects. the random effect model is used to overcome the weakness of the fixed effect model that uses dummy variables. Panel data analysis method with random effects model must meet the requirements, namely, the number of cross sections must be greater than the number of research variables. REM is estimated using the Generalized Least Square (GLS) method.

In order to choose the most appropriate model used in processing panel data, there are several tests that can be done according to Basuki and Prawoto (2016), which are:

a. Chow Test

Chow test is used to determine whether this study uses a common effect model approach or a fixed-effect model. The hypothesis that can be formulated with this test is as follows:

H_0: Common Effect Model

H_a: Fixed Effect Model

If the value is > 0.05, then Ho is accepted, which means the common effect model will be chosen. However, if the value is <0.05, then H_0 is rejected and H_a is accepted, which means that this study uses a fixed effect model approach and continues with testing using the Hausman test to further examine whether this study uses fixed effects or random effects.

b. Hausman Test

Hausman test is used to determine whether the fixed effect method and the Random Effect method were better than the common effect. The hypothesis formulated in this test is as follows:

H_0: Random Effect Model

H_a: Fixed Effect Model

If the value is > 0.05, then H_0 is accepted, namely the random-effects model, and continued with testing using the Lagrange Multiplier test to further test whether this study uses random effect or common effect. If the value is <0.05, then Ho is rejected and Ha is accepted, which means that this study uses a fixed effect model approach.

c. Lagrange Multiplier Test

Lagrange Multiplier test is performed when the model that is selected in the Hausman test is the random effect model, in order to find out the most appropriate model between the random effect model and the common effect model. The hypotheses used in this test are as follows:

H_0: Common Effect Model

H_a: Random Effect Model

1) If the statistical Lagrange Multiplier value is greater than the chi-square statistical value as a critical value and the probability value is significant <0.05, then Ho is rejected, meaning the correct estimate for the panel data regression model is the random effect model.

2) If the statistical Lagrange Multiplier value is less than the chi-square statistical value as a critical value and the probability value is > 0.05, then Ho is accepted, which means the most appropriate estimate for the panel data regression model is the common effect model.

3.3. Population and Sample

The population of this study is 514 district and city governments from a total of 34 provinces in Indonesia. However, purposive sampling is conducted to determine the sample that will be analyzed in this study. The sample in this study is the district and city governments that implemented bureaucratic reform policy consistently from 2018-2021. The four-year period was chosen due to the availability of the data on the dependent variable, which is citizen satisfaction which is only available from 2018. Bureaucratic reform policy is one of the government's efforts to improve governance and create fundamental reforms in

government administration, particularly in terms of the institution (organization), management, and public personnel management. Bureaucratic reform is assessed every year which generates a bureaucratic reform index, which also contains a public service quality perception index to measure the outcome of the policy.

Although every government agency is obliged and encouraged to implement this policy, not every district and city government implement it consistently from 2018 to 2021, some district and city governments have not started to implement bureaucratic reform policy in 2018, and some have already done but are not consistent (have a gap in one or several years). Therefore, after sorting the district and city governments included in the criteria, there are a total of 172 district and city governments will be the sample and included in this study.

3.4. Data Sources

Secondary data will be used in this study from various sources. which is Statistics Indonesia and MABR. The details of the data source of each variable can be seen in the following table:

Table 3.1. Data Sources

Variable	Data	Source
Independent Variable: Performance Management	SAKIP Score	Ministry of Administrative and Bureaucratic Reform
Dependent Variable: Citizen Satisfaction	Public Service Quality Perception Index	

Control Variable	Poverty Rate	Statistics Indonesia
	Population Growth	and Local Government
	Population Density	Accountability Report

3.5. Data Analysis

After collecting the data from various sources that are mentioned above, the data were compiled in Microsoft Excel and processed in EViews software (version 12). Data analysis begins by describing the research data with descriptive statistics such as mean, median, mode, maximum, minimum, and standard deviation of each variable. To prove the hypotheses, the panel data regression model was done after determining which model is most appropriate for this study.

Chapter 4: Result and Discussion

4.1. Descriptive Statistics

In descriptive statistics, data are analyzed by describing them as they are without attempting to generalize or make conclusions about them that apply to the general public (Sugiyono, 2004). In this study, the descriptive statistical analysis used was the minimum, maximum, mean, median, and standard deviation. Based on the results of data processing, the results of descriptive statistical analysis are obtained, as follows:

Table 4.1. Descriptive Statistics

	SAKIP	POVERTY	GINI	GROWTH	DENSITY	IPKP
Mean	66.75	8.81	0.3372	1.12	2143.37	8.48
Median	66.01	7.82	0.3391	1.10	949.5	8.46
Maximum	83.97	33.32	0.489	3.74	14970	9.95
Minimum	49.05	1.54	0.2287	0.02	7.35	5.48
Std. Dev.	6.71	4.64	0.0395	0.63	3025.91	0.49
Skewness	0.26	1.54	0.2584	0.87	2.210	-0.53
Kurtosis	2.94	7.21	3.3463	4.38	7.645	5.83
Jarque-Bera	8.185487	781.4342	11.09743	141.9343	1179.139	263.59
Probability	0.016	0.000	0.003	0.000	0.000	0.000
Sum	45928.97	6066.750	232.0217	770.6300	1474638.	5834.520
Sum Sq. Dev.	30934.85	14804.69	1.076619	279.0631	6.29E+09	170.8975
Observations	688	688	688	688	688	688

Information:

SAKIP : Government Performance Accountability System

POVERTY : Poverty rate

GINI : Gini ratio

GROWTH : Population growth

DENSITY : Population Density

IPKP : Public Service Quality Perception Index

Based on table 4.1, it can be seen that N or the number of observations on each variable is 688. This number comes from the 172 samples of this study, which are the district and city governments that implements bureaucratic reform policies in 2018-2021 and are analyzed in this study.

4.1.1. Independent Variable

The independent variable in this study is performance management which is measured by the SAKIP score from 2018-2021. According to table 4.1, it can be seen that the average score of SAKIP is 66.75 with a standard deviation of 6.71 and a median of 66.01. The highest score of SAKIP is 83.97 (very satisfactory) which was obtained by Banyuwangi district in East Java province for the 2021 period, while the lowest score is 50.12 (sufficient) in the Palopo city in South Sulawesi province for the 2018 period.

4.1.2. Dependent Variable

The dependent variable in this study is citizen satisfaction which is measured by the public service quality perception index or IPKP from 2018-

2021, ranging from 0-100. It can be seen from the table that the mean of IPKP is 8.48 with a standard deviation of 0.49 and a median of 8.46. The highest IPKP was obtained by Semarang city in Central Java province for the 2019 period with 9.95, while the lowest was obtained by Gianyar district in Bali Province for the 2019 period with 5.48.

4.1.3. Control Variable

The first control variable in this study is poverty rate, which is measured by a percentage. The lower the poverty rate, the fewer poor people live in the area. The mean of the poverty rate is 8.81 with a standard deviation of 4.64 and a median of 7.82. It can also be seen from the table that the highest poverty rate is 33.32 which was obtained by Teluk Wondama district in West Papua province for the 2018 period, while the lowest was obtained by Banjarnegara district in Central Java Province for the 2020 period with 1.54.

The second control variable is Gini ratio, which is an indicator to measure the level of relative income distribution between residents of a region. The Gini Ratio ranges from 0 to 1. A Gini ratio score that is closer to 1 indicates a higher level of inequality. According to the descriptive statistics table, it can be seen that the mean of the Gini ratio is 0.3372 with a standard deviation of 0.0395 and a median of 0.3391. The highest score of the Gini ratio is 0.489 which was obtained by Cirebon city in West Java province in 2021, while the lowest is 0.2287 which was obtained by Serdang Bedagai district in North Sumatra province in 2021.

The third control variable is population growth which shows the rate of population growth per year in a certain period of time. The mean of population growth is 1.12 with a standard deviation of 0.63 and a median of 1.1. The descriptive table shows that the highest growth of population is 3.74 which happened in Bekasi regency in West Java province in 2018, while the lowest growth is 0.05 which happened in Tegal district in Central Java province in 2018 period.

The last control variable is population density which shows the average population per 1 square kilometer. The greater the population density, the more densely populated the area is. The mean of the population density is 2143.37 with a standard deviation of 3025.91 and a median of 949.5. It can be seen from table 4.1 that the highest population density is 14970 in Bandung city in West Java province in the year 2019, while the lowest is 7.35 in Teluk Wondama district in West Papua province in the year 2018.

4.2. Panel Data Regression Model Selection Test

As this study will use panel data regression, there are three tests that can be done to test the feasibility of the panel data regression model that can be used as a tool in choosing the panel data regression model (CEM, FEM, or REM) based on the characteristics of the data used, namely: F test (Chow test), Hausman test, and Lagrange Multiplier (LM) test. According to Widarjono (2018), the three tests are tests used to determine the most appropriate method for estimating panel data

regression. The following is the result of the three tests that have already been conducted:

4.2.1. Chow Test

Table 4.2. Chow Test Result

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.728498	(171,511)	0.0000
Cross-section Chi-square	314.020449	171	0.0000

Based on the table above, it is known that the statistical value of the Chi-square Cross-section is 314.020449 with a probability value of 0.0000 which means less than 0.05 (0.0000 < 0.05), then Ha is accepted, and H0 is rejected. Therefore, in this Chow test, the selected model is the Fixed Effect Model.

4.2.2. Hausman Test

Table 4.3. Hausman Test Result

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	16.044480	5	0.0067

The value of the Chi-square statistical distribution based on the table above is 16.044480 with a probability value of 0.067 which means less than 0.05 (0.0067 < 0.05), then Ha is accepted, and H0 is rejected. Therefore, in this Hausman test, the model chosen is the Fixed Effect Model.

4.2.3. Lagrange Multiplier Test

The Lagrange Multiplier test in this study was not conducted since the Chow test and Hausman test showed that the suitable model was the Fixed Effect Model, while the Lagrange Multiplier test was conducted to select the best model between the Common Effect Model and the Random Effect Model.

4.3. Hypothetical Test

According to Chow test which tested the most suitable model between Common Effect Model and Fixed Effect Model, the chosen model is Fixed Effect Model, the result is the same as the Hausman test which tested the most suitable model between Fixed Effect Model and Random Effect Model. Therefore, the hypothetical test that will be analyzed is the Fixed Effect Model. Regression was done using two models, Model 1 is the regression using the overall SAKIP score as the independent variable, and Model 2 is the regression using each component of SAKIP score which is performance plan, measurement, report, evaluation, and achievement. This comparison is carried out to examine whether the effect of

SAKIP on IPKP is the same when using the overall score and when each component is elaborated.

Table 4.4. Analysis of the Causal Relationship between Performance
Management, Citizen Satisfaction, and Control Variables

| | Dependent Variable: Citizen Satisfaction (IPKP) | | | | | |
| | Model 1 | | | Model 2 | | |
	Coefficient	Std. Error	Prob.	Coefficient	Std. Error	Prob.
INTERCEPT	5.149	0.772	0.000	7.658	0.766	0.000
SAKIP	0.047	0.009	0.000			
PLAN				-0.000	0.012	0.954
MEASURE				0.000	0.000	0.289
EVAL				0.088	0.054	0.105
REPORT				0.043	0.064	0.497
ACHIEVE				-0.015	0.027	0.575
POVERTY	0.015	0.028	0.571	0.015	0.0305	0.611
GINI	-0.090	0.961	0.925	-0.601	1.085	0.579
GROWTH	-0.146	0.061	0.018	-0.130	0.070	0.065
DENSITY	8.73E-05	5.77E-05	0.130	9.38E-05	6.07E-05	0.122
R^2	0.404797			0.404687		
Adjusted R^2	0.199795			0.165499		
F-statistic	1.974603			1.691919		
Prob (F-statistic)	0.000000			0.000006		

According to table 4.4, the f-statistic of Model 1 is 1.974603 with a p-value of 0.000. The f-statistic test basically shows whether the independent variable and control variable included in the model have a joint effect on the dependent or

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dependent variable. This f-test aims to simultaneously test the effect of SAKIP, poverty rate, Gini ratio, population growth, and population density on the public service quality perception index (IPKP) in the local governments of Indonesia from 2018-2021. Since the probability (p-value) of 0.000, which is less than the alpha of 0.01 (confidence level 99%), then H0 is rejected and Ha is accepted. Therefore, it can be concluded that simultaneously, poverty rate, Gini ratio, population growth, and population density have a significant effect on the public service quality perception index in the Indonesian local government from 2018-2021.

The result of the coefficient of determination is shown by the R-squared value of 0.404797 or 40%. The coefficient of determination or R^2 essentially measures how well a model explains variations in the dependent variable. The value of R^2 lies between 0 and 1. The value of R^2 close to one indicates a good model, and vice versa, if the value of R^2 close to 0 indicates that the model is not good. A small value of R^2 means that the independent variables have a limited ability to explain the variation of the dependent variable. Most of the information needed to predict the variation of the dependent variable can be obtained from the value that detects one independent variable (Widarjono, 2013). Therefore, in this case, SAKIP as the independent variable of this study accounts for 40% of the variance in IPKP (the dependent variable) when the effect has been controlled.

Furthermore, the result presented in table 4.4. shows that the intercept equaled 5.149 and the slope of SAKIP as the independent variable of this study is 0.047, which means that citizen satisfaction measured by IPKP will increase by 0.047 for every 1-unit increase in performance management measured by SAKIP score. The t-statistic of SAKIP is 5.085 with a p-value of 0.000 which means

smaller than the alpha of 0.01 (confidence level 99%), meaning that SAKIP makes a statistically significant contribution to the model. The result of this model also concludes that performance management has a positive and significant effect on citizen satisfaction in the local governments of Indonesia.

Regarding the control variable, table 4.4. shows that there is only one control variable that has a significant effect on IPKP, which is population growth, however, the effect is also negative. The slope of the population growth is -0.146 meaning that IPKP will decrease by 0.146 for every 1-unit increase in population growth, while the t-statistic is 0.566 with a p-value of 0.018 which is smaller than the alpha of 0.05 (confidence level 95%), making population growth also has a statistically significant contribution to the model.

Meanwhile, Model 2 shows that all the independent variables which are performance planning, measurement, reporting, evaluation, and achievement, obtained a p-value more than the alpha of 0.1, meaning that these variables do not have any significant effect on IPKP. This result concludes that performance management measured by each component of SAKIP evaluation does not have a positive and significant effect on citizen satisfaction.

For the control variable, only population growth showed a significant and negative relationship as it has a t-statistic of -0.554 with a p-value of 0.065 which is less than the alpha of 0.1 (90% confidence level). The R-square in this model has a value of 0.404687 which shows that all the independent and control variables accounted for 40% of the variance in IPKP (the dependent variable). Finally, the f-statistic for this model is 1.691919 with a p-value of 0.000006, meaning that

simultaneously, all the independent and control variables have a significant effect on the dependent variable.

4.4. Discussion

The objective of this study is to examine the relationship between performance management and citizen satisfaction among local governments in Indonesia. As shown in the hypothetical test, it is proved performance management affects citizen satisfaction. The result of the data analysis found that there is a positive and significant relationship between the overall SAKIP score as a tool to measure performance management and IPKP as a tool to measure citizen satisfaction, meaning that the higher the quality of performance management, the higher satisfaction of the citizen. This finding is aligned with previous studies conducted in other countries (Andrews & Van de Walle, 2013; Ma, 2017; Beeri, et al., 2018; Im & Lee, 2012).

The main finding of this study is also illustrated in the graph below. From the graph, it can be seen that the SAKIP score increased year to year from 2018-2021, the same trend is also the same in the case of IPKP. The highest average of SAKIP scores was obtained by the district and city government in Java Island, while the average of the other island showed almost the same average. The trend indicates that the implementation of performance management in district and city government in Java Island has a better quality compared to other areas.

The increasing trend of the average SAKIP score was also followed by the increase in the average IPKP score, supporting the finding of this study that the increase in performance management implementation by the local governments will be followed by the increase in the satisfaction of its citizen. As shown in the graph,

the highest score of IPKP is still obtained by district and city government in Java Island, however, the trend does not show a significant difference compared to other areas except to NTT, Bali, Papua, and Maluku Island.

Graph 4.1. The trend of Local Government Average SAKIP Score 2018-2021
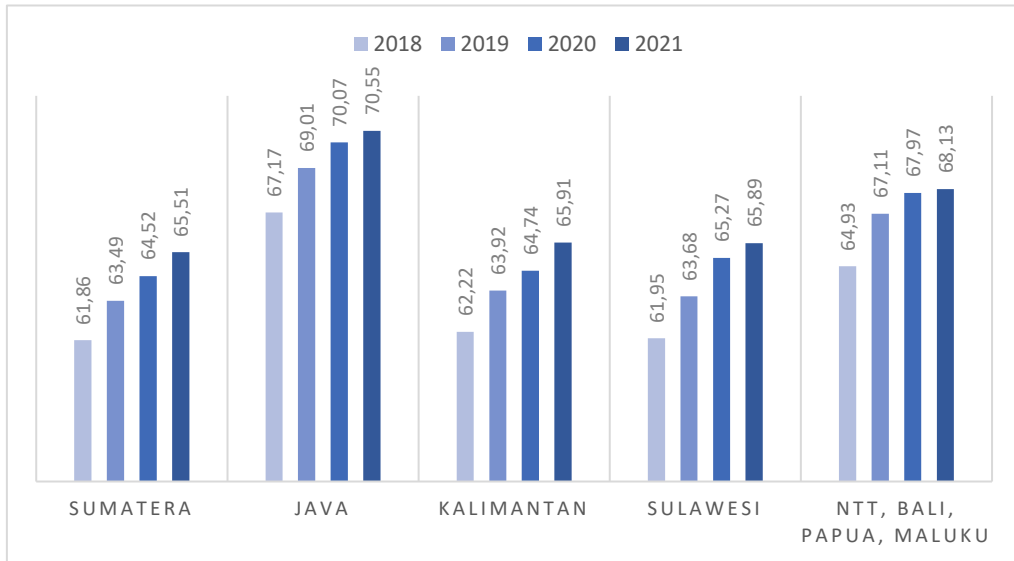
Graph 4.2. The trend of Average Local Government IPKP 2018-2021
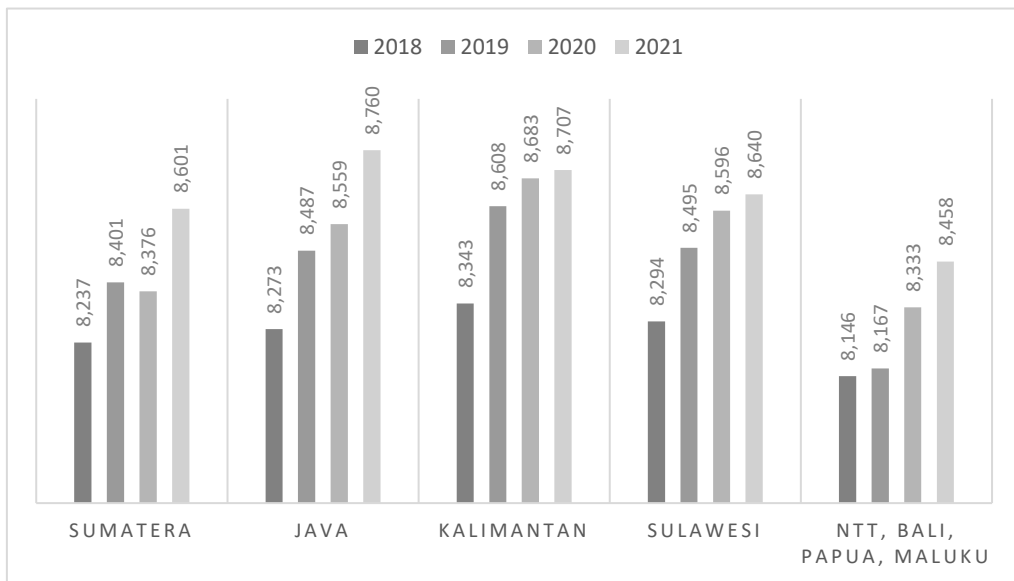
Java Island is the island with the most district and city governments in Indonesia and accounts for 60% of the total population of Indonesia. It can be said that the economic and infrastructure development was centralized in Java Island, one of the main factors is that the capital city of Indonesia, which is Jakarta, is located in Java, creating inequality and disparity compared to other islands. Most of the local governments in this area already implemented good performance management compared to others, resulting in higher satisfaction of its resident.

Generally, the element of performance management, such as performance measurement and the use of performance information will give citizens more access to what the government has done, the targets to be achieved, performance standards, and how they are realized. One of the key components to enhancing service delivery includes information dissemination regarding policies, programs, resource allocations, and results relating to services (Brinkerhoff & Wetterberg, 2013). As citizens will have more information related to the performance of the government, their perception will eventually be affected.

The core of implementing SAKIP is to provide performance accountability to the public. By implementing SAKIP properly, local government will have adequate performance planning that is represented by strategic planning, a good measurement by having outcome-based indicators, which will make the performance suitable with the condition that is needed by the citizens. The implementation of SAKIP will make local governments to be more accountable and make citizens more aware of their performance, leading to higher satisfaction.

In relation to the performance information, as discussed above one of the steps in SAKIP cycle is the utilization of performance information. If local governments

take much consideration to ensure the quality of performance information that is presented in performance accountability reports, it could be a very beneficial tool to improve the performance of the government. Using performance information, local governments can learn about the main issues that the organization is facing as well as identify performance gaps by comparing current performance with last year's performance, as well as with other local governments.

The result was also confirmed by the head of the bureau of performance management, organization, and cooperation of the Ministry of Administrative and Bureaucratic Reform as stated below:

"The implementation of performance management at the local government level, normatively, will make the people who run the government think and find out the strategic issues that are happening in their region and connect those issues with what the citizen wanted since the mandate that is given to local government is to serve and ensure the welfare of the society. Consequently, the leaders and managers of the local government will develop the most appropriate and suitable strategy to achieve their performance by incorporating the elements of performance management such as performance planning, measurement, reporting, evaluating, and finally put those processes and achievements in accountability report as performance information that will be useful since it contains a data and information that is already analyzed that has a function to be utilized for a better strategy to improve the achievement of the performance and eventually increase the satisfaction of the citizen".

On the other hand, the data analysis also found that most of the components of SAKIP evaluation namely performance planning, measurement, evaluation, reporting, and achievement did not show any positive and significant effect on citizen satisfaction. The reason behind these findings is likely correlated with the shortcoming of the instrument that is used to evaluate the implementation of performance accountability or performance management. The creation of SAKIP policy is in line with the concept of performance management according to Poister (2010) which involved goal-setting, tracking progress, and giving ongoing coaching and feedback to ensure that organization achieves its goals and objectives. Implementing SAKIP will also encourage government agencies to be able to manage for results rather than concentrating on administrative procedures and processes which is also the approach of performance management as stated by Hood (2012).

However, according to the interview that is done with the head of the bureau of performance management, and cooperation as well as with several managers that is responsible to evaluate SAKIP implementation, there are several weaknesses of the instrument that is used in SAKIP evaluation which explained as follow:

"The instrument to evaluate SAKIP which is using an evaluation worksheet is too focused on administrative procedures. The questions in a worksheet have too many questions about the existence of the planning documents, has the formulation of objectives and goals is result-oriented or not, or has the indicator has fulfilled the criteria of SMART. Consequently, local leaders and managers were only focused on the formulation of the objectives and goals and did not pay much attention to the managerial process. Being too focused on administrative processes and documents makes the local leaders

and managers not pay much attention to the managerial side. Meanwhile, performance management is not only to make sure that strategic planning has a good formulation and measurement, instead, a performance management system is also to make sure that the leaders and managers have an intervention in the plan-do-check-act process, doing monitoring and evaluation that give the value to the continuous improvement to the management of the organization, as well as creating a performance culture. In many cases, especially the local governments that already have a SAKIP score of B (good), the formulation of the planning document is already decent and results-based, however, the formulation of the objectives and goals with a good indicator is not cascaded down until the individual level which makes the individual does not have a good performance planning and did not understand what is their performance definition and measurement, which eventually did not give a contribution to the organization, especially with the objectives of local governments to deliver the public services and fulfill the demand of the citizen".

Furthermore, the interviewee also confirmed that the evaluator of SAKIP oftentimes gives a professional judgment regarding several things that do not exist in the evaluation worksheet with the statement below:

"As the questions in the worksheet did not really emphasize the managerial side, the evaluator often gave a professional judgment in giving the score. Professional judgment was given to the overall score of SAKIP, in this case, the evaluator gave more attention to the implementation of the performance management system rather than the administrative procedures by confirming

and having a dialogue with the local leaders and managers on how they involved in the process to ensure that they and their subordinates understand their performance and giving a significant contribution so that the objectives to ensure the welfare of the citizen and provide excellent public services will be achieved".

The statement above explained why the overall SAKIP score has a significant and positive effect on citizen satisfaction, but not when each component of SAKIP elaborated as the independent variable. In a nutshell, SAKIP as a tool to implement performance management conceptually and normatively is in line with the elements of performance management according to many scholars (Van Dooren et al., 2010; Vigoda-Gadot & Mizrahi, 2014; Poister, 2010; Pollitt, 2013; Hood, 2012; Moynihan & Pandey, 2010). However, the policy and the concept are not transformed into an adequate instrument, which makes the implementation of performance management, not well-captured as well as makes the local leaders and managers not fully understand the essence of the policy.

Lastly, the result of the data analysis also found that population growth has a negative and significant relationship with citizen satisfaction, meaning that citizen satisfaction with the local government will decrease if the growth of the population increased. This result is different from the result of the study conducted by Im and Lee (2012) which finds that population growth does not have a significant effect on citizen satisfaction, instead, population density has a positive and significant effect in the case of Seoul City.

Chapter 5: Conclusion and Recommendation

5.1. Conclusion

This study examined the relationship between performance management and citizen satisfaction in the local governments of Indonesia. Using panel data regression with Fixed Effect Model, the result of the regression proved that there is a positive and significant relationship between the overall SAKIP score as a measure of performance management and IPKP or public service quality perception index as a metric to measure citizen satisfaction among 172 district and city governments of Indonesia 2018-2021 that become a sample in this study, meaning the higher the quality of performance management, the higher the citizen satisfaction.

Since performance management and accountability are at the root of SAKIP, citizens will have greater access to information concerning, access to follow, and access to monitoring the performance of local governments, which will ultimately increase their satisfaction with the government. Additionally, if local governments implement SAKIP correctly, they will have effective performance planning, which is represented by strategic planning, as well as good measurement in the form of outcome-based indicators, which will enable them to match their performance to the conditions that their resident require.

However, when each component of the SAKIP score is elaborated as the independent variable in the regression model using the same method as the overall score, only performance achievement has a positive and significant effect

on citizen satisfaction. The lack of rigor in the SAKIP evaluation instrument, which managers in the Ministry of Administrative and Bureaucratic Reform believe is too focused on administrative processes rather than managerial processes, might be the cause of this outcome. As a result, local leaders and managers are only concerned with formulating goals and objectives that are results-oriented, not with outcome-driven management. Thus, the concept and regulation of SAKIP indeed encouraged governments to implement performance management; however, the policy and concept were not transformed into an effective instrument, making it difficult for local leaders and managers to fully comprehend the essence of the policy, and thus making it difficult for performance management to be well captured.

This study also includes control variables considering the diversity of the condition of each local government which is socioeconomic and demographic conditions. The result of both regression models shows that population growth showed a negative and significant effect on citizen satisfaction, meaning the increase in population growth, the satisfaction of the citizen will be decreased.

5.2. Recommendation

The result of this study proved that performance management is one of the key predictors of citizen satisfaction, especially in district and city governments. Indonesia already developed instruments and policies to enhance the implementation of performance management by establishing SAKIP which started after the reformation era in 1999 and until now. The evaluation of SAKIP

implementation that was held annually in every local government surely needs some room for improvement according to the result.

As discussed above, the concept and regulation of SAKIP are actually decent and matched with the core elements of performance management, especially since SAKIP is intended to provide the public accountability for their performance. However, the policy is not fully well-transformed in the instrument, the existing tool of SAKIP evaluation is centered on administrative and procedural processes. Therefore, the instrument of SAKIP should be improved and provide "questions" regarding the implementation of managerial processes, how the leaders and managers manage the work process to ensure that the outcome that is formulated in the planning document is achieved and make sure every individual contributed to the organization by equipping them with the performance that is related to the objectives of the organization.

Furthermore, the Ministry of Administrative and Bureaucratic Reform as the main actor in the implementation of SAKIP should pay more attention to giving the local governments training and coaching regarding SAKIP to ensure that they understand how the performance management should run and also to give them an understanding that performance management is one of the substantial tools to public service and fulfill the needs of the citizen if implemented correctly. The training and coaching should provide them the information on the managerial process instead of only revising planning and measurement documents that eventually will make them aware of the main issues in their area as every local government has different characteristics in terms of

geography and demography. By doing so, the goal to deliver public services and satisfy the public will eventually be achieved and improved.

5.3. Limitations of Study

Since this study used secondary data from several institutions, the major limitation of this study is the availability of the data. Some data especially in the dependent variable prior to 2018 is not available, making the panel data only available for a four-year period. This problem also occurred when collecting the data for control variables, as there is no single variable to measure the socioeconomic status, researcher used four control variables that were considered to be a predictor of the dependent variable, which also happened to be limited in the district and city government level compared to province level. Nevertheless, four control variable that is collected was complete and provided by the responsible institution.

This study used a single measurement for citizen satisfaction which covers overall satisfaction with the local governments, not specifically in a distinct area of public service. Future research could consider using the data in several categories of public services such as public healthcare or civil registration to see how performance management affect citizen satisfaction in several areas of public service, and analyze the difference that might occur.

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국문초록

인도네시아 지방정부의 성과관리와 시민만족도의 상관관계에 관한 연구

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글로벌행정전공

본 연구의 목적은 성과관리의 척도로 정부성과책임제도(SAKIP) 평가점수와 시민만족도의 척도로 공공서비스 품질인식지수를 이용하여 인도네시아 지방정부의 성과관리와 시민만족도의 관계를 조사하는 것이다. 이 연구는 행정 및 관료 개혁부의 여러 관리자에 대한 인터뷰를 바탕으로 고정 효과 모델 추정과 함께 패널 데이터 회귀 분석을 사용했다.

이 연구 결과에서 전체 SAKIP 점수를 독립 변수로 사용할 때 성과 관리가 시민 만족도에 긍정적이고 유의한 영향을 미친다는 것을 발견했다. 그러나 성과 계획, 측정, 보고, 평가, 성취도 등 SAKIP 의 각 구성요소가 독립 변수로 상세하게 기술되어 있는 경우, 그 결과는 통계적으로 유의하지 않아 SAKIP

평가 수단의 단점을 나타내고 있다. 그러므로 이러한 조사에 따라 시민 만족도를 높이기 위해 SAKIP 평가도구를 강화하여 지방정부에서 성과관리가 제대로 이행되도록 하고, 성과관리 체계의 본질을 지방지도자와 관리자가 이해할 수 있도록 조치를 취하는 것이 바람직하다.

키워드 : 성과 관리, 시민 만족도, 인도네시아, 지방 정부

학번: 2021-22494