The Influence of DKUPP Performance Quality on Service Quality of E-UMKM through Performance Management in Probolinggo City

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ABSTRACT

The performance of government state officials needs to be improved as they shall deliver quality public services. In particular, public service improvement should regard the advancements of information communication technology and utilize innovative programs. The government of Probolinggo City has launched the E-UMKM card program as an innovative program. E-UMKM card program plays a pivotal role in supporting and empowering micro, small, and medium enterprises (MSMEs). This research was conducted to investigate the influence of state officials’ performance quality on service quality with a specific focus on performance management. This descriptive quantitative was conducted between January and February 2023 in Probolinggo City. Questionnaires, observation, and documentation techniques were employed for data collection from 100 respondents, which were subsequently analyzed using Smart-PLS. The findings revealed that the Performance Quality of DKUPP Probolinggo City State Officials can positively impact the improvement of Public Service Quality moderated by performance management in the E-UMKM Card Program.

Keywords: E-UMKM; Performance; Management; Service.

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Introduction

The government plays a crucial role in delivering public services by managing administrative services, providing goods services, and offering various services (Sutojo, 2015). It is essential to enhance the performance of the state officials to ensure better quality. The quality of the Officials' performance in the public sector serves as an indicator of goal achievement. Key factors contributing to the quality of Officials performance include their potential abilities, optimization of work results, work processes, and enthusiasm (Hasibuan, 2003). Government administration necessitates that the State Civil Officials demonstrates integrity, professionalism, neutrality in political matters, abstention from corrupt practices, and contributes to national unity and integrity (Indrastuti, Suryani and Radyiah, 2016). The effectiveness and efficiency of the Officials' work determine the quality of their output. All of these aspects are defined in the Law of the Republic of Indonesia Number 5 of 2014, which addresses the State Civil Officials.

Good public services contribute to positive evaluations of government officials, whereas poor public services lead to negative ratings of the Officials. Public services serve as a benchmark for assessing the government's performance in delivering services to the public sector (Aprilia Hapsari, Muhammad Guntur and Rukmana, 2021) (Sururi, 2019). As a result, the performance of government Officials can be evaluated directly by the public or through public feedback (Zulfahmi, 2018) (Damayanti, 2019). The Decree of the Minister of Administrative Reform Number Kep/25/M.PAN/2/2004 outlines the General Guidelines for Compiling Public Satisfaction Indexes for Government Agency Service Units, which highlights the importance of public satisfaction in evaluating government performance.

Furthermore, public services are increasingly aligning with the advancements in communication and information technology (Wakhid, 2017) (Firman, 2015). As society enters the modernization era, it is crucial for the public sector to continuously innovate in order to facilitate the community's needs effectively (Pratiwi, 2019). Public services that prioritize innovation not only exhibit good governance but also serve as a testament to bureaucratic reform efforts (Darmi, 2016) (Sandiasa, 2018). These principles are outlined in the Ministry of State Civil Officials Empowerment and Bureaucratic Reform (KemenPAN RB) Number 30 of 2014, which provides guidelines for public service innovation.

These regulations serve as the legal foundation for government agencies to implement optimal innovations in public sector services (Rohman, Hanafi and Hardianto, 2019). It is
important to note that innovation is not limited to the central government alone but can also be undertaken by regional governments in harmony with central government policies and legislation. Moreover, the regional autonomy policy further facilitates the implementation of service innovations to cater to the needs of local communities.

Probolinggo City is also committed to implementing service innovations for the local community. This effort aims to inspire government agencies, businesses, and the general public to foster innovation in their respective work environments. Aligned with Probolinggo City's program, which is guided by the motto "Building a Culture of Innovation Towards a Great and Reliable Probolinggo City" (Setda Kota Probolinggo, 2022), one notable initiative introduced by the City Government of Probolinggo is the E-UMKM card program. This program serves as a manifestation of Probolinggo City Government's support for the development and empowerment of micro, small, and medium enterprises (MSMEs) (DKUPP Kota Probolinggo, 2020). The E-UMKM card plays a crucial role as an official tool for data collection and support for MSMEs (Dinas Kominfo Kota Probolinggo, 2022). The benefits of the E-UMKM card encompass various aspects: it acts as a form of identification and legal proof for individuals, business owners, or specific activities, ensuring the validity of the data; it provides certainty and protection for businesses at agreed-upon locations; it offers assistance in business development; it facilitates access to financial institutions, both banks and non-banks, in terms of cost or capital; and it streamlines the distribution of support, including obtaining discounts on expedition costs for product delivery, as well as empowerment and guidance from the central government, local government, and other institutions (DKUPP Kota Probolinggo, no date).

Based on the aforementioned details, the authors express their interest in conducting research focused on examining the impact of Officials performance quality on service quality, with a specific emphasis on the role of performance management. The proposed research is titled "The Influence of DKUPP Performance Quality on the Quality of Public Services Moderated by Performance Management in E-UMKM Card Program."

Lupiyoadi (2013) defined work quality as the level of excellence demonstrated by employees in performing their tasks within an organization. Regarding the indicators of employee work quality, (Hasibuan, 2003) suggests the following criteria:

1. Self-potential: This refers to the abilities and strengths of employees, both those that have been realized and those that have yet to be fully utilized. It includes individual capabilities that may not have been fully explored or optimized.
2. Optimal work results: This indicator focuses on the outcomes of employees' performance. It encompasses factors such as organizational productivity, the quality of work performed, and the quantity of work completed.

3. Work process: This indicator emphasizes the steps taken by employees in carrying out their duties and responsibilities within the organization. It involves expertise in developing work plans, creativity in task completion, evaluation of performance actions, and continuous improvement.

4. Enthusiasm: This indicator relates to the attitude of employees towards their work and their commitment to providing services. It encompasses aspects such as attendance, task completion, motivation in performing tasks, and overall commitment to their roles.

Performance management, also known as performance management system, is a company-developed framework aimed at enhancing employee competence in alignment with organizational goals. The system supports managers in evaluating employee competencies and improving their performance. Effective implementation of performance management can contribute to increased organizational profits, as enhanced employee competence and performance positively impact overall professionalism. Van Dooren, Bouckaert and Halligan (2015) view performance management as a systematic approach that encompasses the performance of individuals, groups, and organizations, all of which are integrated to improve organizational effectiveness holistically. Performance management involves providing feedback to individuals, supervisors, and the organization itself regarding organizational performance in line with predetermined objectives. Performance management can be delineated as follows (Saputra and Nugroho, 2021).

1. Performance planning
2. Performance communication
3. Performance evaluation
4. Performance improvement

The Public Service Law No. 25 of 2009 defines public services as "activities or a series of activities carried out to fulfill the service needs of every citizen and resident in accordance with statutory regulations. These services encompass the provision of goods, services, and administrative services by public service providers." Service quality, on the other hand, refers to the optimal delivery of services that fulfill the needs, desires, expectations, and levels of satisfaction of the public as recipients of these services. According to Parasuraman's perspective
(2001) as cited by Nawi (2015), service quality comprises the following elements known as RATER:

1. Responsiveness
2. Assurance
3. Tangible
4. Empathy
5. Reliability

Service quality represents the desired outcome of the service process as perceived by the public. Throughout this process, the public expects to receive optimal feedback. On the other hand, employee performance refers to the actions and behaviors carried out by individuals or groups that are reported to relevant parties. This reporting is done to assess the level of targets and achievements within the organization, aligning them with the organizational vision, and evaluating the positive and negative impacts of policies. It is evident that good and accurate performance directly impacts the delivery of optimal service (Anggraini, 2017). The relationship between performance quality and service quality is closely intertwined. Performance quality significantly influences service quality. This connection is explained in the theory put forth by Lewis and Booms (1983), which states that "service quality is a measure of how well a service meets customer expectations."

Based on the premise that providing service quality entails consistently meeting customer expectations, it can be inferred that the measurement of service quality is contingent upon the level of performance exhibited by employees while delivering services to the public.

**Research Method**

This research employed a descriptive quantitative approach to assess the Quality of Officials Performance, which could influence the Quality of Public Services by strengthening the existence of Performance Management in the E-UMKM Card Program. The subjects of this research were local government figures, figures in the MSME community, NGOs or activists, academics, and MSME owners in Probolinggo City. The objects in this research were the performance quality of DKUPP Officials, the quality of public services in the E-UMKM Card program, and Media Moderation Performance Management in the E-UMKM Card Program. The research was conducted in January and February of 2023, in Probolinggo City, according to the location of the subject and research object. The primary data were obtained from a questionnaire.
while secondary data sourced from the results of prior research that employed the same method. These literatures were used to strengthen the existing theories.

The target population for this research were community leaders in Probolinggo City who possessed a comprehensive understanding of the E-UMKM Card Program, as well as MSME owners in the city who have received the E-UMKM Card program. The sample size for the study was determined to be 96 respondents which was then rounded up to 100. These 100 respondents were selected using random sampling techniques based on the predetermined sampling criteria to ensure that their answers aligned with the intended direction of the questionnaire's questions or statements. Samples were individuals who possessed E-UMKM Card including regional officials, community organizations or NGOs, academics (including both lecturers and students), community leaders, and MSME owners in Probolinggo City. A Likert scale was employed in this research to assess responses in different levels: strongly disagree (1), disagree (2), neutral (3), agree (4), and strongly agree (5).

Partial Least Squares (PLS) analysis was employed in data analysis. PLS analysis is a multivariate statistical technique used to compare multiple dependent and independent variables. Three tests were administered. The first test focused on assessing the validity of the data, which is crucial for drawing accurate conclusions. The second test examined the reliability of the instrument to ensure its trustworthiness. Meanwhile, mediation test was conducted to examine the significance of the relationship between variable X and variable Y, with the moderation of variable M.

Research variables are essential guidelines established by researchers to investigate and gather information pertaining to a particular subject. Research variables of this study are specified as follows.

a) Independent Variables

Independent variables influence and cause changes or cause dependent (bound) variables. The independent variable in this research is the Performance Quality of DKUPP (X) Officials with five dimensions, namely, tangible, reliability, responsiveness, assurance, and empathy.

b) Dependent Variables

The dependent variable plays a significant role in affecting the independent variable. In this particular study, the dependent variable is the service quality within the DKUPP (Y) program, which is measured using four indicators as guidelines: self-potential, optimal work results, work processes, and enthusiasm.
c) Moderating Variables

Moderating variables play a crucial role in either strengthening or weakening the direct relationship between independent and dependent variables. These variables have the ability to influence the nature or direction of the relationship between the variables. The relationship between the independent variable and the dependent variable can be either positive or negative, depending on the specific characteristics of the dependent variable. Thus, the moderating variable acts as a contingency variable. In the context of this research, the moderating variable being examined is Performance Management in the implementation of the E-UMKM (M) Card program, which encompasses four indicators as guidelines: performance planning, performance communication, performance evaluation, and performance development.

a. Operational Definitions

<table>
<thead>
<tr>
<th>Variable</th>
<th>Indicator</th>
<th>Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance management (M)</td>
<td>Performance management will provide feedback to employees, supervisors, and the organization on their tasks in order to achieve organizational goals. 1. Performance planning, 2. Performance communication, 3. Performance evaluation, 4. Performance improvement (Saputra and Nugroho, 2021)</td>
<td>Likert Scale</td>
</tr>
</tbody>
</table>

Source: Author's Data Processed, 2023
b. Hypothesis

Ha1: Officials’ performance quality affects the public Service Quality.
Ho1: Officials’ performance quality does not affect the public Service Quality.
Ha2: Performance Management affects the public Service Quality.
Ho2: Performance Management does not affect the public Service Quality.
Ha3: Performance Management moderates the relationship between the Performance Quality of officials on the public Service Quality
Ho3: Performance Management does not moderate the relationship between the Performance Quality of officials on the public Service Quality

Results and Discussions

As seen in the Table, the loading factor values for each variable indicator, namely Quality of Officials Performance (X), Quality of Public Services (Y), and Performance Management (M) exceed 0.5. This indicates that these indicators are considered reliable measures of the latent variable.

<table>
<thead>
<tr>
<th>Table 2. Validity based on Loading Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variable</td>
</tr>
<tr>
<td>Performance Quality (X)</td>
</tr>
<tr>
<td></td>
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<tr>
<td></td>
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<tr>
<td></td>
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<tr>
<td>Public Service Quality (Y)</td>
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<tr>
<td></td>
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<tr>
<td>Performance Management (M)</td>
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<td></td>
</tr>
</tbody>
</table>

Source: Author’s Data Processed, 2023

a. Discriminant Validity

The discriminant validity in this research involved assessing cross-loadings and calculating the square root average (AVE) values. The test determined whether the research instrument effectively explained or reflected the latent variables under study. The discriminant validity testing is described in more detail as follows:
Table 3. Validity based on Discriminant Validity

<table>
<thead>
<tr>
<th>Variable</th>
<th>Officials’ Performance Quality</th>
<th>Public Service Quality</th>
<th>Performance Management</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1</td>
<td>0.877</td>
<td>0.664</td>
<td>0.005</td>
<td>Reliable</td>
</tr>
<tr>
<td>X2</td>
<td>0.893</td>
<td>0.646</td>
<td>0.038</td>
<td>Reliable</td>
</tr>
<tr>
<td>X3</td>
<td>0.810</td>
<td>0.597</td>
<td>0.056</td>
<td>Reliable</td>
</tr>
<tr>
<td>X4</td>
<td>0.836</td>
<td>0.614</td>
<td>0.060</td>
<td>Reliable</td>
</tr>
<tr>
<td>Y1</td>
<td>0.604</td>
<td>0.852</td>
<td>0.224</td>
<td>Reliable</td>
</tr>
<tr>
<td>Y2</td>
<td>0.490</td>
<td>0.744</td>
<td>0.223</td>
<td>Reliable</td>
</tr>
<tr>
<td>Y3</td>
<td>0.638</td>
<td>0.843</td>
<td>0.240</td>
<td>Reliable</td>
</tr>
<tr>
<td>Y4</td>
<td>0.603</td>
<td>0.795</td>
<td>0.235</td>
<td>Reliable</td>
</tr>
<tr>
<td>Y5</td>
<td>0.660</td>
<td>0.843</td>
<td>0.214</td>
<td>Reliable</td>
</tr>
<tr>
<td>M1</td>
<td>0.029</td>
<td>0.228</td>
<td>0.839</td>
<td>Reliable</td>
</tr>
<tr>
<td>M2</td>
<td>-0.072</td>
<td>0.179</td>
<td>0.786</td>
<td>Reliable</td>
</tr>
<tr>
<td>M3</td>
<td>0.138</td>
<td>0.298</td>
<td>0.878</td>
<td>Reliable</td>
</tr>
<tr>
<td>M4</td>
<td>-0.049</td>
<td>0.099</td>
<td>0.644</td>
<td>Reliable</td>
</tr>
</tbody>
</table>

Source: Author, 2023

The results of the discriminant validity test indicate that the cross-loading values for each variable, namely Quality of Officials Performance (X), Quality of Public Services (Y), and Performance Management (M), are higher than the cross-loading values for other latent variables. Moreover, all of these cross-loading values are above 0.5. This suggests that the research instrument demonstrates discriminant reliability, meaning that it effectively distinguishes between different latent variables.

Further tests can be conducted using a comparison technique on the AVE values. If the AVE value for each variable is above 0.5, it indicates good discriminant validity.

Table 4. AVE Value

<table>
<thead>
<tr>
<th>Variable</th>
<th>√AVE</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Officials’ Performance Quality (X)</td>
<td>0.854</td>
<td>Reliable</td>
</tr>
<tr>
<td>Public Service Quality (Y)</td>
<td>0.816</td>
<td>Reliable</td>
</tr>
<tr>
<td>Performance Management (M)</td>
<td>0.792</td>
<td>Reliable</td>
</tr>
</tbody>
</table>

Source: Author, 2023

The obtained √AVE values for Quality of Officials Performance (X), Public Service Quality (Y), and Performance Management (M) are above 0.5. This indicates that these variables
b. Composite Reliability

Composite reliability can be evaluated by assessing the indicators using two measures: composite reliability and Cronbach's alpha. Generally, a construct is considered reliable if the composite reliability value exceeds 0.7 and the Cronbach's alpha value is above 0.6.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Composite Reliability</th>
<th>Cronbach’s Alpha</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Officials’ Performance Quality (X)</td>
<td>0.915</td>
<td>0.876</td>
<td>Reliable</td>
</tr>
<tr>
<td>Public Service Quality (Y)</td>
<td>0.909</td>
<td>0.874</td>
<td>Reliable</td>
</tr>
<tr>
<td>Performance Management (M)</td>
<td>0.869</td>
<td>0.811</td>
<td>Reliable</td>
</tr>
</tbody>
</table>

The composite reliability values of Officials Performance Quality (X), Public Service Quality (Y), and Performance Management (M) that were analyzed are satisfactory, as they exceed 0.70 for composite reliability and surpass 0.6 for Cronbach’s alpha. This enables the possibility of conducting further analysis by assessing the goodness of fit of the model through an evaluation of the inner model.

1. **Inner Model**

The inner model was used to predict the correlation between latent variables through the significant value and R-square of the research model.

![Figure 1. Inner Model](source: Author's Data Processed, 2023)
The evaluation of the PLS structural model includes the R-square values on the dependent latent variable. These R-square values indicate the extent of influence exerted by exogenous latent variables on endogenous latent variables, helping determine the significance of the effect. The calculated R-square values are presented in Table 6.

<table>
<thead>
<tr>
<th>Variable</th>
<th>R-Square</th>
<th>R-Square Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Quality</td>
<td>0.596</td>
<td>0.580</td>
</tr>
</tbody>
</table>

The R-Square value for the service quality variable is determined to be 0.596. This indicates that 59.6% of the variation in the service quality variable can be accounted for by the combined influence of transactional leadership and policy quality, which act as moderating factors. The remaining 40.4% of the variation is attributed to other variables that were not specifically examined in this research.

2. Hypothesis Testing

The structural relationship model was tested to explain the associations between the variables under study using Smart PLS software. The hypothesis testing was based on the output image and the values of the output path coefficients. The criterion for establishing significance is a p-value below 0.05 (at a 5% significance level), indicating a significant influence of exogenous variables on endogenous variables. The output path coefficients and their associated p-values were analyzed to determine the presence of statistically significant relationships. Researchers can draw conclusions about the influence of exogenous variables on endogenous variables by assessing these results and examining the output image.

![Figure 2. Hypothesis Testing](Source: Author’s Data Processed, 2023)
Statistic tests were employed to test the hypothesis through simulation using the bootstrapping method on the samples. The results of the bootstrapping PLS are shown as follows.

a. The Direct Influence of DKUPP Officials’ Performance Quality on the Public Service Quality in E-UMKM Card Program

The first hypothesis, which examines the direct relationship between the Quality of Officials Performance and the Quality of Public Services, produced the following results: a coefficient value of 0.746, a p-value of 0.000, and a t-statistic of 13.758. The p-value of 0.000 is smaller than the significance level of 0.05, and the t-statistic value of 13.758 exceeds the critical t-value of 1.64. These findings indicate that the Quality of Officials Performance significantly influences the Quality of Public Services directly. Therefore, the hypothesis proposing an influence of the Quality of Officials Performance on the Quality of Public Services is accepted.

b. The Direct Influence of Performance Management on Public Service Quality in E-UMKM Card Program

The second hypothesis explores the direct impact of Performance Management on the Quality of Public Services. The analysis showed coefficient value for describing Performance Management's influence on the Quality of Public Services of 0.271. The associated t-statistic value is 3.629, with a p-value of 0.000. These results indicate that the p-value of 0.000 is below the significance level of 0.05, and the t-statistic value of 3.629 exceeds the critical t-value of 1.64. Thus, it can be concluded that Performance Management significantly influences the Quality of Public Services directly. Consequently, the hypothesis proposing an effect of Performance Management on the
Quality of Public Services is accepted.

3. Moderation Test

Moderation testing was implemented using the SmartPLS application as a supporting tool, employing the bootstrapping procedure. In this testing, the p-value of the path coefficient and the p-value of the moderation element were crucial. To classify a moderation variable as increasing strength or moderating the influence of the independent variable on the dependent variable, the p-value had to be below 0.5. If the p-value in moderation exceeded 0.5, it indicated that the moderating variable could not influence the strength or moderate the influence of the independent variable on the dependent variable.

| Inter-variable correlation | Original Sample (O) | T Statistics (|O/STDEV|) | P-Values | Status |
|----------------------------|--------------------|-----------------|----------|--------|
| Moderating effect -> Public Service Quality | 0.171 | 3.095 | 0.002 | Accepted |

Source: Author, 2023

The table shows that the moderating effect of Performance Management on the relationship between the Quality of Officials Performance and the Quality of Public Services is observed. The obtained results indicate a coefficient value of 0.171, a p-value of 0.002, and a t-statistic of 3.095. The p-value of 0.002 is below the significance level of 0.05, and the t-statistic value of 3.095 exceeds the critical t-value of 1.64. These findings suggest that the moderating variable, Performance Management, is effective in moderating or strengthening the influence of the Quality of Officials Performance on the Quality of Public Services.

Conclusions

Based on the research findings and data analysis, it can be concluded that the Performance Quality of DKUPP Probolinggo City Officials has a direct, positive, and significant influence on the Quality of Public Services related to the E-UMKM Card Program in Probolinggo City. This means that as the Performance Quality of DKUPP Probolinggo City Officials improves, the Quality of Public Services pertaining to the E-UMKM Card Program in Probolinggo City also improves. Conversely, if the Performance Quality of DKUPP Probolinggo City Officials declines,
it will have a negative impact on the Quality of Public Services related to the E-UMKM Card Program in Probolinggo City. Performance Management plays a moderating role by enhancing the direct, positive, and significant impact of the Performance Quality of DKUPP Probolinggo City Officials on the Quality of Public Services related to the E-UMKM Card Program in Probolinggo City. Consequently, it can be inferred that the Performance Quality of DKUPP Probolinggo City Officials has the potential to enhance the Quality of Public Services when moderated by Performance Management in the context of the E-UMKM Card Program.

Recommendations were proposed to provide insights for the government in formulating policies and implementing innovative approaches to enhance public services, particularly in improving welfare, addressing community needs, and fostering regional development. To enhance service quality, government officials should adhere to procedural standards and stay abreast of programmatic and technological advancements. The community, particularly business entities, should leverage government programs and embrace public sector service innovations. Furthermore, academics are encouraged to enhance scientific research in this domain. These recommendations stem from the limitations of the present research, including time constraints, the need for a more representative sample size, and the potential for more detailed variables to reinforce the data.

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