

## **Financial Performance of Special Autonomy in Papua Regency/Province in the Perspective of Institutional Theory**

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**ABSTRACT:** *The purpose of this study is to explain the influence of regulation, management mechanism, and management behavior and law enforcement toward financial performance of special autonomy of Papua. Design of this study used survey method by collecting data in cross-sectional through questionnaire. Analysis unit of this study is the government organization of 29 regency/municipalities. Respondents are 58 chief and secretary of Agency for Regional Development, however from the result of correction, only 44 respondents used. Analysis method used to test the hypothesis is Generalized Structured Component Analysis (GSCA).*

*The result of this study shows that regulation and management mechanism have positive significant influence directly to the management behavior; however it has no significant influence toward the increment of Papua special autonomy financial performance. Management behavior has significant influence toward financial performance. Besides, the manager has a role as the perfect mediation in the correlation between attitude and management mechanism toward financial performance of Papua special autonomy. Finally, law enforcement is directly able to increase regional financial performance; however it is not able to strengthen the correlation between regulation and management mechanism toward the financial performance of Papua special autonomy. It means that the law enforcement in this study has its position as the independent variable. Originality of this study is able to proof the contingency model that integrates the correlation between regulation and management mechanism toward financial performance of Papua special autonomy mediated by management behavior.*

**Keywords:** *regulation, management mechanism, law enforcement, management behavior, financial performance of Papua special autonomy.*

### **I. INTRODUCTION**

Financial factor is important in measuring the ability level of regional in conducting its autonomy. Financial condition of regional determines the form and the variety that would be conducted by the regional government, one of the most important criteria to know the regional ability in organizing its organization is the ability of “*self supporting*” in financial field, in this perspective the acceptance of special autonomy finance will increase the ability of regional financial in funding many programs with *value for money* principle. Mardiasmo (2002) said that *Value for money* means the implementation of three principles in the process of public financial management namely economy, efficiency, and effectiveness. Economy has correlation to the election and the use of sources in such number and quality on the cheapest price. Efficiency means the use of public money can give maximum output. Effectiveness means that the use of the budget should reach the target or the purpose for public interest.

Based on the institutional theory, it is certainly able to solve the problem in declining the performance. North (1994) said that institutional as the limitation is made to form interaction model in harmonious between individual in conducting political, social and economy interaction that is differentiate whether in informal or in formal. Williamson (2000) said that institutionalization is formal rules or regulation that is designed intentionally such like constitution made by legislative/government institution. Burki dan Perry (1998) said that organization in reaching its purpose is in a structural institution which is inside it is regulation, mechanism, attitude and law enforcement which organize individual attitude and organization in society to decrease uncertainty. Furthermore, Ruttan and Hayami (1984) said that institution with its role in a group of society or organization facilitates the coordination to help them cooperate to reach desired mutual purposes. Based on the institutional theory conveyed by North (1994), Williamson (2000), Burki and Perry (1998), Ruttan and Hayami (1984); it would be the fundamental for measuring and testing the correlation of regulation, management mechanism and law enforcement to the management behavior and management performance of Papua special autonomy financial.

During ten years, Papua province receive the special autonomy financial in 2002-2012 for Rp.33,3 quintillion, consists of Rp.28,4 quintillion in the form of special acceptance in conducting special autonomy and Rp.5,2 quintillion for additional financial of infrastructure in conducting special autonomy. The huge number of special autonomy financial managed by regional government in Papua province has increased the ability of regional financial, however the use of the financial is not able to give outcome performance in increasing society welfare based on the purpose of Papua special autonomy.

The condition shows that the performance of regional government in Papua province is not optimum and it causes the low level of society welfare cannot be separated from the less optimum of government bureaucracy as the supplier of public service, it can be seen from the following facts: Publication of BPS Papua on the Development Indexes of Papua Society in 1999-2008 was in the 33<sup>th</sup> and it is categorized in under low level, the number of life hope in 1999 period is 64.5 years, in 2008 it is being 68 years including medium category, with the higher standard of life hope is 85 years, the number of literacy (AMH) in the period of 1999-2005 increases to be 3.7 percent. Yet, since in 2006, it is stagnant in the number of 75.41 percent. The average of school time (MYS) in the period of 1999-2008 is relative very low namely 0.1 point in every year; in 1999, the average of school time of Papua society is only up to the fifth grade of elementary school, in 2008 the average of school time is increase, graduate from elementary school (the first junior high school), the average of real consumption expenditure in 2008 is Rp. 599.650,- year, 2007 (Rp. 593.420,-). The number of poor society in March 2012 is 966,59 thousands. In March 2011, it is 944,79 thousands that means the poor society is increase into 21,80 thousands. Based on the regional type, in March 2011 – March 2012, there is increment of poor society in rural area for 22,8 thousands people and in urban is decrease for 1,0 thousands people. The opinion of Financial Audit Department toward financial report of regency/municipal in Papua Province stated that in 2007 there is 1 entity that has opinion of genuine with exception (WDP), then increase to be 5 entities in 2008, 7 entities in 2009 and to be 5 entities in 2010. BPK report on the management and accountability report of special autonomy fund for Papua shows that in 2002-2010 there is a potency of country disadvantages for Rp.218.2 billion from the deviation of financial management of Papua special autonomy. The correlation model integrated between the implementation of regulation, management mechanism and the law enforcement toward management behavior and financial management performance give importance to federal and regional government also public as the revenue in stimulating policy triggering the increment of financial performance of Papua special autonomy that give importance in public service and increase the society welfare also give control to the management of financial management of Papua special autonomy.

The existence of this study is expected can explain how is the role of mediation for management behavior and moderation of law enforcement toward the increment of management performance for financial in implementing regulation and management mechanism of Papua special autonomy. Second, testing toward the influence of the implementation of regulation, management mechanism and law enforcement toward management behavior and management performance for financial still have contradiction caused by the basic theory used and the variety of measurement indicators. There is no clear consistency and concept toward regulation measurement indicator, management mechanism and law enforcement and management performance or even management behavior. Finally, the previous study on the implementation of regulation, management mechanism and law enforcement the influence toward management behavior and management performance of financial is still *inconclusive* and infrequently conducted so that there is needed proof in generalization on public organization especially in special autonomy in Papua province.

Based on the theory and empirical proofs, the researcher uses variables of regulation, management mechanism, management behavior and law enforcement that is estimated able to give explanation on the influence whether as mediation or as moderation toward the performance of financial management of special autonomy, so that able to be the effective accelerator for reaching the purpose of special autonomy implementation in Papua.

## **II. REVIEW OF RELATED LITERATURE AND CONCEPTUAL MODEL**

### **2.1. Institutional theory**

Institutional generally seen as organization, organization actually is only an organization while the meaning of institutional comprise of regulation, ethic, ethic code, attitude and behavior, organization or system. Institutional in the field of sociology and anthropology is emphasized on regulation and collective activity for public interest, physiology reviews institutional from human attitude, law emphasized from the law also instrument and the process of law/litigation.

*Neo Institutional Economic* defines institutional from transaction fund and collective action. In transaction fund is including analysis on the property and the proprietary of natural sources, imbalance information also opportunistic attitude (Williamson & Maslen, 1995). Analysis and the development of institutional need support of approach, analysis from the field of attitude. There are definitions of institutional developed by experts based on their background of science. Ruttan and Hayami (1984) define institutional with

the rules in a group of society or organization that facilitate coordination to help them cooperate to reach their desired mutual goals. Williamson (1985) states that institutional include the arrangement of rules to combine the organization and rules. The arrangement of rules is a structural correlation between economy unit which manage how to cooperate and to compete that has contract or transaction conducted to decrease transaction expense.

North (1990) defined institutional as limitations made to form harmonious interaction model between individual in implementing political, social and economy interaction. Then, North divided institutional into two: informal and formal. Informal institutional is institutional which its existence in society is not written, culture, tradition, pemali, agreement, convention and such with names and terms that is classified as informal institutional. Meanwhile, formal institutional is the written rules like regulation (*agreements*), clauses, economy rules, business, politic, etc. Agreement prevailed in international level, national, regional, or even local includes in formal institutional. Yeager (1999) summarize institutional as the main rules (*rules of game*) in society. The main rules are included regulation that establishes society to have interaction. Pejovich, (1995:30) saw that institutional can decrease inherent uncertainty in human interaction through the creation of attitude model.

Based on the definition of the experts, institutional is the main rules prevailed in society that is agreed by the members of society as something should be followed and obeyed (has the power of sanction) by the purposes of regularity and certainty interaction between societies. Interaction meant has correlation with economy, politic or even social. If it is connected to special autonomy then institutional is arrangement or regulation of Papua special autonomy that binds the management behavior, arranging the mechanism of implementation and conducting law enforcement to increase society welfare through financial performance of Papua special autonomy.

Institutional is dynamic based on the change occurs in its context. Williamson (2000) analyzes the change of institutional in four level; they are (1) social level (society), (2) formal institutional level (formal institutional *environment*), (3) governance level (*governance*), and (4) the change is continue. Schlueter and Hanisch (1999) clarify the change theory of institutional in three groups, namely: based on economy efficiency; based on *distributional conflict theory*; and based on public policy theory. The theory of institutional change is based on economy efficiency which has three main thoughts. The first thought conveyed by Hayek (1968), the famous Austrian economist and the main endorser of neo classic. According to Hayek, the institutional change is spontaneous, unintentional; however it is the result of intentional action. It means that individual or a group of society will not make institution/rules if there is no support that demands the rules to be exist. The change of institution is spontaneous is that the existence of support to create or change the spontaneous institutional (*unintentionally*). Meanwhile, activity makes or creates the institutional by intention (*intentional*).

## **2.2. Regulation**

Regulation of formal rules is rules designed intentionally like constitutions made by legislative institution/government (2000). Regulation is rules determined to control human attitude, regulation of regional financial management is law product launched to manage regional financial management Andrei Shleifer (2005). Elinor Ostrom (1990) said that operational rule is the main rules prevailed in organization on how the interaction should be. Even the operational rule has changed, but in the implementation, there is stipulation on how the operational rule should change. This stipulation called *collective choice rule*, it is rules on how the operational rule is made and is changed, who change it, and when the change should be conducted. Institutional in *constitutional choice* organize who is in charge to work in the level of *level collective choice*. *Constitutional rule* is the highest *rule* which is not all groups, organizations or community has it.

Based on the opinion of the experts, regulation controls human or society attitude by rules or limitations. Regulation can be conducted with many forms, like the limitation on law is proclaimed by government authority, the regulation of self management by an industrial like by trading association, social regulation (like norm), *co-regulation* and market. Anyone can consider the regulation in attitude like giving sanction (penalty). Administration law or implementing law regulation can be differentiated with constitution law or cases. Regulation is mandated by country effort to get the opposite result, produces or prevent the result in difference place that is stated what has happened. By this way, regulation can be seen as artifact of policy implementation report.

Based on the implementation, the financial management regulation for Papua special autonomy is (1). 2001 UU No. 21, (2) 2007 special regional stipulation/Perdatus No 1 on the distribution and the management of revenue iin implementing Papua special autonomy consists of: (a) allocation for province for 40 percent and regency/municipal for all provinces in Papua is 60 percent, (b) allocation formulation by criteria; are wide; the number of population; geographic condition and area difficulty; regional revenue; PBB; regional domestic gross product.

Geraldine and Justin (2012), Zolnor (2009), Rainey, Siems, and Ashton (2011), Worldbank (2009), Ryan and Doran (2012), Pambudhi (2007), and Hermanto (2010) show that regulation has correlation with organization performance. Meanwhile, the research of Akinboade and Kinpack (2012) said that government

regulation gives negative effect toward performance. The result of study is different because of the fewer consistences also the difference of research object. The study by Cusick (2004), Leitner, Wehrmeyer and France (2010), La Ode (2010) show that regulation has correlation to the attitude of organization members. From the above opinion it is known that regulation is not only give positive effect on performance, but also a negative impact on performance, as well as having a relationship to the behavior of organizational members.

Worldbank (2004) concluded that the implementation of the Special Autonomy is still hampered by the completion of the rules of Law. 21/2001, including those who govern the management of special autonomy fund. Perdasus on the management of special autonomy fund is still not functioning optimally. 2007 Perdasus Draft No. 1 on the Distribution and Revenue Management in the Context of the Papua Special Autonomy, has no binding legal force because it has not been established in the Regional Gazette. Besides, this Perdasus just organize things that are common and require derivatives regulations outlining procedures for the allocation, monitoring, control, reporting, and accountability of special autonomy funds, there is a positive effect between regulation and financial performance of special autonomy.

Provisions of laws and regulations governing the national and regional restrictions on Papua special autonomy fund management, in the form of the Law, Government Regulation, Decree of the President, Minister, Provincial Regulation and Regulation/Decision of the Governor (Based on TAP MPR No.. III/MPR/2000 of Resources Law and Sequence legislation).

World bank (2009), regulation variable includes indicators: (1) Basic Law on the implementation of special autonomy constitution. (2) the addition rules of UU 21/2001, (3) Basic Law of Perdasi, (4) the addition rule of Perdasi. This Perdasus only regulate general things and needs derived rules to describe allocation, supervisory, control, report, and fund accountability of special autonomy.

**H1a : This regulation has significant influence toward the attitude of financial management of Papua special autonomy**

**H1b : This regulation has significant influence on the performance of financial performance of Papua special autonomy**

### **2.3. Mechanism**

In supporting the establishment of state administration, financial management should be carried out in a professional, open, and accountable in accordance with the basic rules that have been established in 1945. Translation of basic rules that have been established Constitution, the general principles outlined in the implementation of which has long been recognized in the financial management of the country, such as the annual principle, the principle of universality, the principle of unity, and specialization principles, rules and principles in the management of state finances.

Management mechanism is the rules, procedures, and clear relationship between the parties who have decision on who have control where furthermore have supervision to the decision. Directed management mechanism to ensure and supervise the system of governance in an organization Andrei Shleifer (2005). Indonesia adopts a dual board in its internal organizational structure, in which the separation of the functions of the board, which is a function of policy making and supervision functions.

Budgeting mechanism (APBD) starts from the service plan that will be provided by local governments. The selection of the service (in the form of events) planned jointly with the biggest initiatives in the executive branch. Executives then allocate the budget for each project, program, and budget priorities. Summary of proposed activities and budget is then submitted to the legislature for discussion before being approved as regional regulations (Perda). Mechanism of Papua special autonomy fund management conducted by UU 25/2004 of National Development Planning System Permendagri 57/2007, on Guidelines for Financial

#### **Management which includes:**

- 1) Planning of development that begins with musrembang village level, district, county, and provincial and discussion (RD) Musrembang Definitive Plan and National Level.
- 2) Implementation of programs/activities guided by rules and regulations, including the Governor's Decision on Guidelines for Management of Special Revenue Fund in the framework of special autonomy, and adapted to local needs and conditions.
- 3) Control, monitoring, and evaluation. Control the implementation of programs/activities conducted to obtain data and information about the progress of the earliest work, both physical and financial. Supervision is done to improve the effectiveness and efficiency of program / activities are held at the completion of the work. The evaluation was conducted to assess the extent to which the program/activities to achieve its objectives and what efforts need to solve the problem when there is a goal achievement.

Management mechanism should be in accordance with established guidelines such as planning, implementation and control and supervision so as to improve the financial performance of special autonomy. Jensen (1993),

Core (1999), Gompers (2003), Sardar Ahmad (2009), Aminu S. Mikailu danTukur Garba (2005), Dahya and McConnell (2007), Bebchuk (2009), and Shabbir and Padgett (2008), Worldbank (2009), Salle (2011) says there is a positive relationship between the mechanism and performance.

Weak special autonomy fund management mechanisms, both in terms of planning and implementation of monitoring and evaluation. Salle (2011), states that there are a number of issues of financial accountability that negligent done Papua Provincial Government. The study found the problem of accountability such as: information asymmetry, regulation, participation, transparency in the management of special autonomy funds is relatively neglected. Much autonomy funds given to non-priority matters and have ignored the basic rights of poor people who are still isolated; there is influence between the mechanism and performance of financial autonomy.

The results Jensen's & Meckling's (1998) works show that good financial management mechanisms can improve the behavior of managers. In addition, from a theoretical study can be concluded that the mechanism of management and behavior management that is based on rules or laws can have a significant impact on improving the performance of financial management. Core et al. (1998), found the governance or corporate governance mechanisms have a significant effect on the financial performance of the company.

**H2a : management mechanisms significantly influence the behavior of financial managers Papua Special Autonomy.**

**H2b : management mechanisms have a significant effect on the performance of the financial management of the Papua Special Autonomy**

#### **2.4. Management behavior**

Management behavior in this case the executive managers have a good understanding of bureaucracy and administration as well as legislation that underlies all aspects of government. Therefore, the budget for the implementation of public services proposed to be allocated on the basis of assumptions making it easier for executives to provide good service. Management behavior is an obedient leadership behavior in the process of implementing in responsible, well-planned and sustainable that includes: performance planning, performance execution, performance appraisal, review of performance, and the performance improvements that can increase the success of government organizations.

Manager behavior of special autonomy fund should refer to the applicable provisions of UU 25/2004 of National Development Planning System Permendagri 57/2007 on Guidelines for Financial Management and Perdasus 1 in 2007 as a guideline so that the effectiveness of the budget as a means of monitoring and assessment of local government service delivery performance can be achieved. Distribution of special autonomy fund as follows:

- 1) Based on the provincial and regency/municipal
- 2) Fund allocation of special autonomy is based on the sector is: 30% for education, health and nutrition by 15%; Community Economic empowerment by 15%; construction of village infrastructure by 10%; expenditures include provincial government officials, the DPRP and MRP by 8% and the eternal fund by 5%.

According Andvig (2001), Ilyas (2001), Panggabean (2002), Martinez Vazquez (2004) said that the behavior management skills in a work environment that is actualized through attitudes, absenteeism, turnover, employee productivity, decent acting, and a plan is not feasible individual actions including business strategy and deployed that requires an understanding of the motivations and standards set by the group.

Behavior motivate/encourage opportunities for corruption in the expenditure side of the government budget, due to the lack of ethical and moral standards, a low chance of detection, monitoring and sanctions are weak, or the inadequacy of salaries and other incentives. principal-agent model is very useful in explaining the incentive problems in public institutions, as principal with coherent interests, could apply not corrupt act in the interests of society, but pursuing its own interests.

Baldauf and Cravens (2002), Panggabean (2002), deWaal (2010), Kunnanatt (2003) indicates that there is a relationship between behavioral performances. While Vecchio (1995) said that the behavior of managers negatively affects performance due to deviate from the expected behavior. Vecchio suggests that individuals usually prefer a situation full of awards, but they will tend to withdraw when the situation is painful and there is no reward.

Harlie (2008) showed no relationship between behavioral performance, previous studies looking at the relationship of behavior and performance in the context of competitive performance, the performance and effectiveness of the sales organization, and does not address specific behavioral relationship with financial performance. La Ode (2010) said a positive effect on behavior regulation. Cusick (2004) shows the effect on the regulation of the behavior of organizational members.

From the description it can be concluded that there is a relationship between behavioral performances, behavior management negatively affect performance, there is no relationship between behavior and performance, positive

effect on the regulation of behavior, and regulation influence the behavior of organizational members. According Andvig (2001), Martinez Vazquez, (2004), behavioral variables include: Understanding, Integrity, Sanctions, and Awards.

**H3 : Manager behavior significantly influence the financial management performance of Papua Special Autonomy.**

**H4a : Manager behavior significantly influence as the mediation correlation between regulation and financial management performance of Papua special autonomy.**

**H4b : Manager behavior significantly influence as the correlation mediation of management mechanism and financial management performance of Papua special autonomy.**

## **2.5. Law enforcement**

Various international agencies are concerned about the performance of government established various performance measures different. But there are some indicators that are always referred to by various sources, namely: the rule of law or the rule of law (Kaufmann, Kraay and Zoido-Lobaton (KKZ), International Country Risk Guide (ICRG), World Bank). Furthermore Kaufman, World Bank, (2005) conducted a study on indicators of the quality of governance by constructing aggregate indicators of the value of 14 different sources found that countries that have high scores in the areas of rule of law tend to have a lower infant mortality rate, the number high literacy and high per capita income. In other words, in a country where law enforcement, showed a high human development index of quality. It can be explained that the high state law enforcement to ensure that the allocation of resources more efficient development, fund development leakage can be reduced, thus achieving more effective results. To understand the correlation between the variables need to be included, namely public service variables. The political dimension of law and has a sociological dimension in the formulation and in their implementation. At these dimensions of social morality plays an important role to ensure that the rule of law and functioning in accordance kaidahnya not cause a counterproductive effect. Public Service, Rule Of Law And Social Morality (Rutiana Dwi. W, 2005).

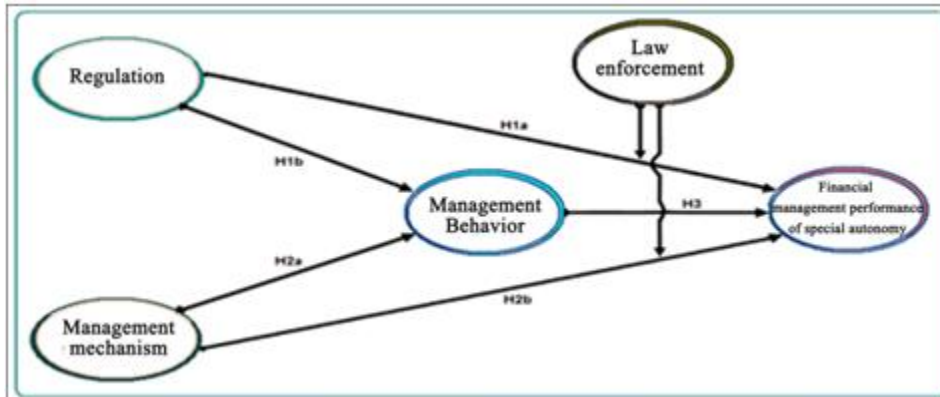
According to the 2002 Governance and Decentralization Survey the image of law enforcement in Indonesia is still poor, especially the failure of the legal system in ensuring equality before the law. Based on this survey found that judges and prosecutors generally acknowledged that the offender socioeconomic status influence their actions in legal proceedings. Corruption and money politics, which generally involve the authorities in the district and the city became very difficult to be brought to justice. Money Politics and corruption issues to be one cause of poor public services in Indonesia. Rule of law can serve as an independent variable (via various intermediate variable) which affects the performance of the government, especially the quality of public services. Rule of law, and can also be a source of many problems mal administration practices, such as corruption in various forms (Graft, Bribery, nepotism).

The public's willingness to do business, a comfortable life, security is assured safety is a description of law enforcement, said also that the effect on the mechanism of law enforcement Andrei Shleifer (2004), Reinier Kraakman (2009). While Robert M. Bushman (2004), said law enforcement has a positive effect on the performance of companies in countries with high quality judicial system, otherwise in a country where the judicial system is of low quality law enforcement negatively affect the performance of the company. Kaufman, World Bank, (2005) in Rutiana Dwi. (2005) conducted a study on indicators of the quality of governance by constructing aggregate indicators of the value of 14 different sources found that countries that have high scores in the areas of rule of law tend to have a low infant mortality, high literacy rates, and high revenue per capita. Incentives and disincentives system as well as reward and punishment imposed in boosting the effectiveness of the management of special autonomy fund. Kaufmann, Kraay and Zoido-Lobaton (KKZ), International Country Risk Guide (ICRG), World Bank, (in Rutiana Dwi. W, 2005). Says that an indicator variable enforcement include: the quality of law enforcement, administrative practices, graft, nepotism, discriminatory, public lies.

**H5a: Law enforcement significantly influence as correlation moderation between regulation and financial management performance of Papua special autonomy.**

**H5b: Law enforcement significantly influence as correlation moderation between regulation and financial management performance of papua special autonomy.**

Based on the explanation above, this study is regarded as important to conduct. The concept of this study can be seen in the Picture 1.



Picture 1. The concept of study

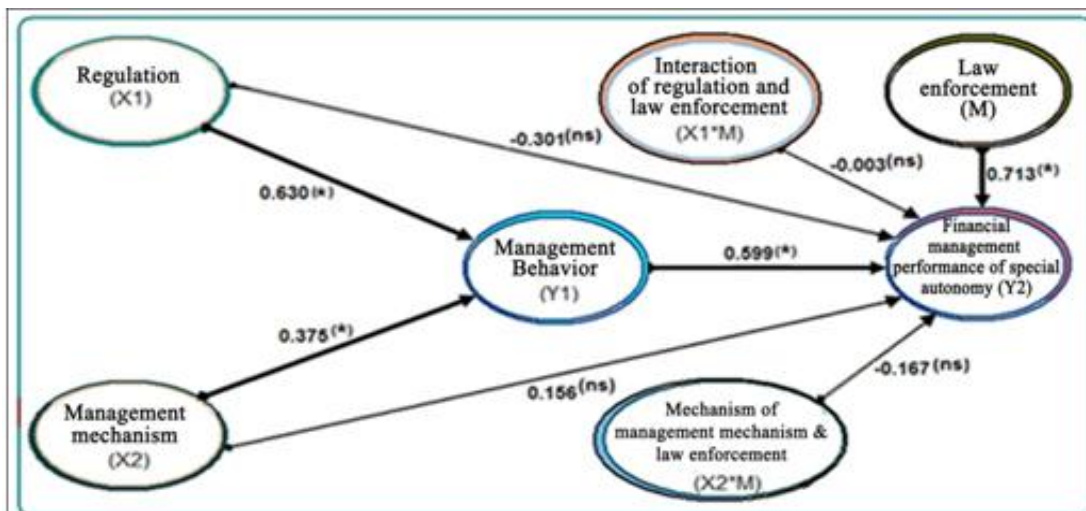
### III. METHODOLOGY

The design of this study in accordance with the formulation of the problem and research purposes using Positivist paradigm with explanatory research approach to collecting data through survey methods at once or in cross-section through a questionnaire. This study will be conducted in all regency/municipal in the province of Papua were 29 regency/municipal. The unit of analysis of this research is the organization of Regency/Municipal Government in Papua province is represented by the Regional Planning Board Regency/Municipal on the basis that this agency is well aware management of special autonomy funds from planning, implementation, monitoring/evaluation and accountability.

This study uses data measurement Likert scale; scale ranges used are the numbers 1 through 5. Figure 1 indicates "strongly disagree/good", the number 2 indicates "disagree/good", figure 3 shows the "neutral", figure 4 shows the "agree / good", the number 5 indicates "strongly agree/good". (Malhotra, 2010; Cooper & Sehindler, 2003). Data analysis methods used in this study is the description and analysis of the inferential statistical Generalized Structured Component Analysis (GSCA).

### IV. RESULT AND ANALYSIS

Hypothesis testing and direct path coefficients between variables influence the regulation, management mechanism, law enforcement, behavioral management and financial performance of the Papua Special Autonomy. Directly influence the test results can be seen from the path coefficients and the critical point (CR \*) are significant at  $\alpha = 0.05$  are presented in Picture 1 Diagram Coefficient and Hypothesis Testing Strip as follow Explanation: (CR\*) = significant on  $\alpha = 0,05$ ; ns = non significant



Picture1. Diagram of direct path and hypothesis testing

Results of testing the influence of regulation on financial management behavior can be proved by the Papua Special Autonomy estimate the value of the path coefficient of 0.630 with a positive direction. Path coefficient is positive, meaning the relationship between regulation with special autonomy fund management behavior is unidirectional. This result can also be proven by the value of the critical point (CR) of 6.67 \* with a

probability value (p-value) of  $0.000 < \alpha = 0.05$ . Results of testing hypotheses (H1a) regulation proved positive and significant effect on the behavior of financial managers of special autonomy. estimated value of the path coefficient directly influences the regulation of the financial performance of the Papua Special Autonomy -0301 with the value of the critical point (CR) of 1.63 and a probability value (p-value) of 0.115 means not significant ( $p < \alpha = 0,05$ ). The test results show there is no empirical evidence that the hypothesis (H1b) stated regulations significantly influence the financial performance of the Papua Special Autonomy (rejected). Because the value of a negative path coefficient means the relationship between the regulations of the financial performance of special autonomy is not unidirectional.

Estimated value of the path coefficient influence on behavior management mechanisms of financial management Papua Special Autonomy of 0.375 with the value of the critical point (CR) of 3.99 and a probability value (p-value) of 0.000 means significant ( $p > \alpha = 0.05$ ). The test results can prove the empirical facts to accept the hypothesis (H2a) that significantly influence the management mechanisms of financial management behavior of the Papua Special Autonomy. Path coefficient is positive can be interpreted relationship between management mechanism to direct the financial management behavior. While the value of the path coefficient estimates directly impact the financial performance management mechanisms Otsu Papua at 0.156 to the value of the critical point (CR) of 1.19 and a probability (p-value) of 0.245, which means not significant ( $p > \alpha = 0,05$ ). The test results show there is no empirical evidence to accept the hypothesis (H2b) stated that management mechanism significantly influences the financial performance of the Papua Special Autonomy (rejected). But the positive path coefficient value means the relationship between financial performance management mechanisms with special autonomy is in direction.

The test results directly influence the behavior of managers on the financial performance Papua Special Autonomy obtained an estimated value of 0.599 with a path coefficient value of the critical point (CR) of 2.27 \* and the probability value (p-value) of 0.032 means that a significant ( $p < \alpha = 0.05$ ). The test results indicate that there is enough empirical evidence to accept the hypothesis (H3) stated that the behavior of managers significantly influence the financial performance of the Papua Special Autonomy. The coefficient is positive means that the good behavior of managers can support improved financial performance of the Papua Special Autonomy.

Assessment of the effect of mediation aimed at detecting the position of intervening variables in the model can be seen in the relationship between direct regulation did not significantly affect the financial performance of special autonomy, but through the mediation of behavior management is able to significantly affect the financial performance of the Papua Special Autonomy. Thus in reality there is sufficient evidence to accept (H4A) stated that the implementation of good regulation significantly influence financial performance Papua Special Autonomy in mediation by the behavior of managers. As well as with the relationship between mechanisms of direct management did not significantly affect the financial performance of special autonomy, but through the mediation of behavior management is able to significantly affect the financial performance of the Papua Special Autonomy. Thus there is enough empirical evidence to accept (H4b) stated that the implementation of good governance mechanisms significantly influence the financial performance in the Papuan Special Autonomy mediation by the behavior management behavior management so that the variables in our model is said to be a perfect mediating variables (complete mediation).

Moderating variable test results as shown in Figure 1, shows that law enforcement variable coefficients ( $X1 * M$ ) of 0.713 with the critical point value (CR) at 3:42 \* and a probability value of 0.000 ( $p < \alpha = 0.05$ ) means significant. Likewise enforcement moderating variables ( $X1 * M$ ) indicates the coefficient value of 0.713 to the value of the critical point (CR) at 3:42 \* and a probability value of 0.000 ( $p < \alpha = 0.05$ ) means significant. These results indicate that law enforcement significantly influence the financial performance of the Papua Special Autonomy. Meanwhile, regression testing with moderation (interaction) obtained by the interaction coefficient between variable regulation and enforcement of -0.003 with a critical point value (CR) of 0.01 and a probability value of 0.992 (p-value  $> \alpha = 0.05$ ) means that  $\alpha$  significant. as did the regression testing moderation (interaction) interaction coefficient values obtained between the variables of financial management mechanisms and enforcement of -0.167 with a critical point value (CR) of 0.78 and a probability value of 0.442 (p-value  $> \alpha = 0.05$ ) means that significant. These results indicate that the interaction of variable regulatory and law enforcement does not significantly influence the financial performance of the Papua Special Autonomy, interaction variables of financial management mechanisms and law enforcement does not significantly influence the financial performance of the Papua Special Autonomy. Noting the significance of each coefficient, then it can be said that law enforcement is a moderating variable that is predictor (Predictor moderation). It can be concluded that there is not enough empirical evidence to accept the hypothesis (H5A) or hypothesis (H5B) stated that law enforcement does not significantly moderate the relationship between the regulation of the financial performance of the special autonomy law enforcement as did not significantly moderate the relationship between management mechanism finance with the financial performance of the Papua Special Autonomy.



## V. DISCUSSION

The results showed a significant effect on the implementation of the regulation of the financial management of special autonomy behavior (H1a) The results of this study support the findings of the study Anne Cusick (2005), Hasiara (2010) and Alexander Leitner et al. (2010) stated that the regulation has a significant relationship to the behavior of organizational members. Good regulation means that the implementation is expected to improve the financial management of special autonomy behavior, in this case is the government organization that was given the mandate to manage your finances well in areas that get special autonomy.

Furthermore, the implementation of the regulation does not significantly influence the performance of the financial management of special autonomy (H1b) is caused by the high level of public dissatisfaction with the implementation of special autonomy. In some cases, Autonomy increasing public mistrust in government. World Bank (2009) and Djojosoekarto et al. (2008) see there are several reasons why it happens: Autonomy Law polemical unresolved between the Papuan people and the government, the political dimension in the resolution of problems in Papua are much stronger than welfare development, formulation Autonomy governance rules not running fast in the disbursement of Autonomy . PP on the new MRP completed after 3 years of Autonomy, Autonomy Evaluation should be done every year after the first evaluation in the third year as mandated by the Special Autonomy Law was not done in-depth and comprehensive, Autonomy was informed to the public (in this case in the city and district of Jayapura ) but not well-informed.

The correlation between regulation and performance of financial management Autonomy in this study supports the findings of the study Djojosoekarto et al. (2008) that the implementation of special autonomy has not reached the expected performance. Papua Special Autonomy is understood as Automoney. The low performance is shown by the statistical data report poor household distribution of poor people per regency/municipal in the province of Papua. In addition, the findings of this study are consistent with research Oludele Akinboade & Kinfack (2012) found that government regulations have a negative impact on organizational performance. Further research is in contrast to the findings of the study Pambudhi (2007), Zolnor (2009), World Bank (2009), Herman (2010), Ivan Rainey et al. (2011), and Geraldine & Justin (2012) that regulation has a significant relationship to organizational performance.

Results of this study demonstrate the implementation of management mechanisms significantly influence the behavior of financial managers Papua Special Autonomy (H2a). Results of this study extend the research Jensen & Meckling (1998), Dahya and McConnell (2007), Shabbir and Padgett (2008) stated that the management mechanism significantly influence behavioral compliance manager. It means that the implementation of good management mechanism is expected to improve the financial management of special autonomy behavior, in this case is the government organization that was given the mandate to manage your finances well in areas that get special autonomy. Furthermore, the results of data analysis showed that the direct effect on the financial performance management mechanisms Papua Special Autonomy is not significant (H2b). Management mechanism does not significantly influence the performance of the financial management of special autonomy due to the internal hierarchy of mechanisms tribal patterns are formed based on the division of labor and the existence of certain rituals. Two things are important to look at is the mechanism of reduction of power and political system formed. Obtained through individual leadership achievement on individual abilities, one man show, there is no division of labor and hierarchical bureaucracy and still know the area.

Results of this study support the findings of the study found impropriety in the management of the company's governance rules in England may have different implications on the performance of the company. Supported by the results of the study Ahmadu Sanda et al. (2005) and Lucian Bebchuk et al. (2009), found no significant effect on the management mechanism of the improved financial performance and corporate value. However, in contrast to the findings of the research (Jensen & Meckling 1998; Core et al., 1998; Gompers et al. 2003; Dahya & McConnell 2007; Shabbir & Padgett 2008; Augustine Salle and 2011) which have shown that there is a significant relationship between the management mechanisms organizational performance.

Results of this study indicate that the behavior of managers have a significant effect on the financial performance Papua Special Autonomy (H3). Results of this study are consistent with some studies finding Baldauf and Cravens (2002), Panggabean (2002), Kunnanatt (2003), and Andre de Waal, (2010) that there is a significant relationship between behavior management to organizational performance. It means that the successful implementation of special autonomy management is largely determined by the behavior of managers. Behavior management is good in the end impact on improving the financial performance of the Papua Special Autonomy. However, the research findings of Robert Vecchio (1995), says managing behavior negatively affects performance because deviates from the expected behavior. Vecchio suggests that individuals usually prefer a situation full of awards, but they will tend to withdraw when the situation is painful and there is no reward. Then Harlie (2008) showed no relationship between behaviors with organizational performance. Based on the test results it can be concluded that the implementation of the regulation and good management mechanisms are not directly significant effect on the financial performance special autonomy but with mediation

management behaviors significantly influence the financial performance Papua Special Autonomy (H4A, H4b). It means an increase in the implementation of regulatory and management mechanisms are not directly having an impact on the improvement of financial management performance special autonomy but needed repairs or improvements to the behavior of financial managers Papua Special Autonomy. Based on the findings of the policy can be taken by the leadership in order to achieve the goal of financial management must first either fix or improve the behavior of the financial manager in the form of an increase in submissive behavior that led the process that entailed carrying out duties in a responsible, well-planned, sustainable and improved performance so as to increase the success of government organizations. In addition to the special autonomy fund manager behavior should be based on the applicable provisions of Law no. 25/2004 on National Development Planning System and Permendagri 57/2007 on Regional Financial Management Manual that the effectiveness of the budget as a means of monitoring and assessment of local government service delivery performance can be achieved.

The findings of this study moderating variables enforcement can be concluded that there is insufficient empirical evidence which stated that law enforcement can significantly moderate the relationship between regulation and financial management mechanisms with the financial performance of the Papua Special Autonomy or not supported by empirical facts of the research object (H5A , H5B). This result can be shown that law enforcement is a moderating variable that is predikator (Predictor moderation).

Results of research that examined the relationship between law enforcement and the performance is consistent with the findings made by Andrei Shleifer (2004), Robert Bushman et al. (2004), Rutiana Dwi. (2005), and Daniel Kaufmann (2005) found that law enforcement either positive influence on organizational performance. Subsequently Daniel Kaufmann (2005) on the quality of governance indicators by constructing aggregation indicator values of 14 different sources found that countries with high scores in the areas of rule of law tend to have a lower infant mortality rate, high literacy rate, and higher per capita income. In other words, in a country where law enforcement, showed a high human development index of quality. Robert Bushman (2004), said law enforcement has a positive effect on the performance of companies in countries with high quality judicial system, otherwise in a country where the judicial system is the low quality of law enforcement negatively affects the performance of the company.

## **VI. RESEARCH IMPLICATION**

### **a. Theoretical implication**

1. Results of this study reinforce the institutional theory, organizational behavior and theory of financial management by North (1994), Burki and Perry (1998); Ruttan and Hayami (1984), Williamson (2000) that the implementation of the institutional philosophy is based on the integration between people and organizations in achieve the interests of the institution is in a structure in which there is regulation, mechanisms, behavior and enforcement of laws governing the behavior of individuals and organizations in the community to reduce uncertainty.

2. This study has implications for the development of conceptual and theoretical insights on the implementation of regulations and mechanisms in order to improve the behavior of managers and financial performance of the Papua Special Autonomy either directly or mediated by the behavior of managers and moderated by law enforcement on the implementation of special autonomy based on institutional theory. Empirical findings of this study contribute to the regulation theory to explore the relationship of structural model of the implementation of regulations and mechanisms directly and through the mediating role of managing behavior have a significant effect on the performance of the financial management of special autonomy.

3. Results of this study have implications for the implementation of regulatory relations theory and mechanisms do not directly affect the performance of the management of special autonomy. But by using a mediating variable behavior of managers perfectly significant effect (complete mediation) on the performance of the management of special autonomy.

4. This study provides additional evidence about the implications of the law enforcement view that further explore the interaction of regulation and implementation of integrated management mechanisms, the current study received less attention than the others. Because this concept for law enforcement only directly associated only with the anticipation of the performance management or organizational performance.

### **b. Practical implication**

1. Implementation of the regulation, management and enforcement mechanisms are not sufficient only done by government institutions as holders of power, but it takes active participation and cooperation of all elements of the Papuan people, especially in the implementation of the implementation of special autonomy. So that behavior can be controlled by the managers of the public financial management and performance of special autonomy can be achieved in accordance with the objectives mandated in the Papuan Special Autonomy Law

No. 21/2001, Law no. 25/2004 on National Development Planning System, Permendagri 57/2007 on Guidelines for Financial Management and local regulations specific area/No. Perdasus. 1 of 2000.

2. The results provide the knowledge and understanding of the particular management institute associated with the management of the importance of the implementation of the special autonomy fund regulation, management and enforcement mechanisms are integrated, so that managers can improve the behavior and performance of the financial management of special autonomy. Empirical facts are there, if the policy makers in the management of the government's special autonomy funds aimed at improving the behavior of managers and financial management performance Autonomy, then that needs to be done from the point of view of the chairman/leader Bappeda in Papua province is implementing regulation. Strategies used to improve the behavior of managers is to focus attention on the special autonomy fund distribution indicators are reflected in the implementation of the division by 40 per cent to the provincial areas and by 60 percent for the regency/municipal. While the implementation of the regulation based on the perception of respondents and is considered an important indicator of the implementation of Law No. 21 of 2001 as the basis for the financial management of special autonomy.

3. Management mechanism in this study is reflected by a more effective control, supervision and evaluation. While the manager is more dominant behavior reflected by indicators of adherence to distribute the funds according to the rules and financial management performance more special autonomy is reflected by the level of health in the form of life age. Thus the practical implications of this study that the implementation mechanisms for the management effectiveness of the controls in the form of implementation, monitoring and evaluation should be enhanced by policy makers and financial managers Papua Special Autonomy.

4. Managers are more dominant behavior reflected by indicators of compliance according to the rules on the distribution of funds. Thus the results of this study may have implications for the implementation of the compliance division of good and fair funding according to a regulatory filing in the form of increased IMP in the form of improved health lifespan. The implications of this study are expected to Bappeda leaders regency/municipal in Papua as policy makers in order to improve compliance in the implementation of management behavior through the distribution of special autonomy funds based on region of 40% to 60% for provincial and regency/municipal in reference to the Act No: 25 of 2004 and Permendagri 57 in 2007.

5. Implementation of regulations and mechanisms that either directly no significant effect on the financial performance improvement special autonomy, but with mediation management behaviors significantly influences the financial performance Papua Special Autonomy. The practical implications of these findings for the government as policy makers so that the achievement of good financial management must first fix or improve the behavior of the financial manager in the form of an increase in head-abiding behavior in the process of carrying out the tasks entailed in a responsible, well-planned, sustainable and improved performance so as to increase the success of government organizations.

6. The results showed a moderating variable testing of law enforcement significantly influence the financial performance of the Papua Special Autonomy. Meanwhile, regression testing with moderation (interaction) obtained by the interaction coefficient between variables regulations; enforcement mechanisms and the management had no significant effect. Implications of the findings of this study may provide recommendations to the heads of government in Papua as policy makers in order to improve law enforcement in order to support the implementation of special autonomy in the form of improving the implementation of the regulation, management and behavior management mechanisms so that the financial performance of the Papua Special Autonomy can be achieved in accordance with its primary objective improved human development index in the province of Papua.

## **VII. RESEARCH LIMITATION**

1. Respondents of this study are limited to the leaders/Chairman of the Regional Development Planning Agency (Bappeda) Regency/municipal in the province of Papua. Thus may limit generalizability of the findings of this research, especially at institutions that acquire Autonomy managers in other regions.

2. Only limited empirical analysis based on survey data analysis presents only one point of time in a relationship (cross-sectional), due to the environment or public communities are constantly changing, it is necessary to identify the changes in advanced research studies and test again whether the relationship between the variables analyzed in the study this change.

## **VIII. CONCLUSION**

1. Implementation of good regulation can improve the behavior of financial managers special autonomy, but on the performance of financial management do not make a real contribution. Results demonstrate empirically that the better implementation of the regulation, it is expected behavior of the higher financial managers, but do not directly contribute significantly to improved financial performance Papua Special Autonomy.

2. Special autonomy fund management mechanism is determined by the behavior of managers. The findings of this study indicate good management mechanism can improve the behavior of SAF funds, but on performance management has a significant effect or real. This result is one of the causes of financial management behavior indicators that have dominant contribution is considered the most important indicator of compliance with the rules on the distribution of funds. But the empirical facts that has not been taken as a major or has not done well by the respondents' assessment. In addition to the internal hierarchy mechanism tribal patterns are formed based on the division of labor and the existence of certain rituals. Two important things to be seen is the mechanism of reduction of power and political system formed.

3. Results of this study indicate there is enough empirical evidence which stated that the better behavior of the managers of the financial performance of special autonomy is increasing. It means adherence to the implementation of special autonomy fund distribution is good and fair according to the rules contribute significantly to improving the health of IMP in the form of age in the form of life that reflects the performance of the financial management of special autonomy. Furthermore, the results of this study indicate that the implementation mechanism more management reflected by indicators of the effectiveness of controls, monitoring and evaluation. While the manager is more dominant behavior reflected by indicators of compliance with the special autonomy fund allocation and financial management performance more special autonomy reflected by the health index of age in the form of life.

4. Implementation of regulations and mechanisms that either directly no significant effect on the financial performance improvement special autonomy, but with mediation management behaviors significantly influence the financial performance Papua Special Autonomy. It means an increase in the implementation of regulatory and management mechanisms are not directly have an impact on the improvement of financial management performance special autonomy but needed repairs or improvements to the behavior of financial managers Papua Special Autonomy. Thus the behavior of managers in the research model is said to be a perfect mediating variables (complete mediation).

5. Law enforcement moderating variable indicates there is not enough empirical evidence which stated that law enforcement in the management of special autonomy funds can significantly moderate the relationship between regulation and financial management mechanisms with the financial performance of the Papua Special Autonomy or not supported by empirical evidence from the research object. This result can be shown that law enforcement is a moderating variable that is predictor (Predictor moderation). It means that law enforcement should take precedence as predictor in improving financial management of special autonomy performance, as proven interaction regulation implementation, financial management mechanisms and strengthen law enforcement mechanisms of the relationship between regulation and financial management to the financial performance of the Papua Special Autonomy.

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