

1 An Analysis on the Impact of Participatory Budgeting and
2 Procedural Fairness toward Manager's Commitment and
3 Performance

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7

8 **Abstract**

9 This study aims to test the effect of participatory budgeting and procedural fairness on the
10 manager's commitment and performance either have simultaneous or partial effect. The
11 method of the research used was a survey method that conducted at the pawnshop in North
12 Sumatra with the respondents of the managers in branch offices. The data used is primary
13 data by collecting data through questionnaires. The analysis method used is
14 descriptive-analytical verification. The effect model analyzed by using a structural equation
15 model to analyze the pattern of causal relationships between variables and determine the
16 direct, indirect and total effect of some variables. The results showed that participatory
17 budgeting and procedural fairness simultaneously have a significant and positive effect on the
18 manager's commitment; participatory budgeting has a significant and positive effect on the
19 manager's commitment; procedural fairness has a significant and positive effect on the
20 manager's commitment; participatory budgeting, procedural fairness and manager's
21 commitment simultaneously has a significant and positive effect on the manager's
22 performance; the effect of participatory budgeting has a significant and positive effect on the
23 manager's performance; the procedural fairness has a significant and positive effect on the
24 manager's performance; the manager's commitment has a significant and positive effect on
25 the manager's performance.

26

27 **Index terms**— participatory budgeting, procedural fairness, manager's commitment, manager's performance.

29 **1 Introduction**

30 pawnshop as one of the State-Owned Enterprises (SOEs) in the Ministry of Finance that deliver short-term loans.
31 This pawn lending have been enjoyed, not only for the economically weak people but it has been penetrated into
32 the middle to upper level of income who live in rural and urban areas. To improve the effectiveness and efficiency
33 of the pawnshop, the government intended to change the form of the pawnshop's company, however, there are
34 consequences for the fundamental changes which include; (i) pawnshop have dual functionality that are to serve
35 the community and profit orientation; (ii) the organization is based on decentralization; (iii) decrease in interest
36 rates; (iv) additional in credit limit; and (v) changes in capital structure.

37 As a non-bank financial institutions, the pawnshop providing services to the community aims to cultivate a
38 profit by exploiting all the potential based on the principles of management of the company. The capital of the
39 pawnshop originally comes from the government through the state budget, but now the capital structure changed
40 to; (i) the foreign capital which consists of the national budget and profits are reserved before this pawnshops
41 established; (b) loan from BRI (People's Bank of Indonesia); and (ii) the capital from the pawnshop itself which

1 INTRODUCTION

42 consists of: (a) retained earnings; and (b) various kinds of reserves. While, the fund management at branch
43 offices based on the principles of money cash management. With this principle, it is expected that the funds
44 are not embedded too much, so it does not interfere with the business operation. This is in accordance with
45 the policies outlined by the directors, so that the financial management of the company is really effective and
46 efficient.

47 The organizational structure of the pawnshop can be seen clearly by the duties, authority and responsibilities
48 of each personnel as well as the relationship between other sections vertically or horizontally. Maryanto (2004)
49 posited that the pawnshop with a decentralized organization has given authority to the regional Office to prepare
50 an annual budget that includes budget for the branches within its territory. Thus each unit of the organization can
51 work more effectively and efficiently in achieving the expected profit whereby the pawnshop has done several ways,
52 include; (i) engaging the branch office manager in the preparation of the budget due to responsibility for achieving
53 the company's earnings through the realization of revenue and control costs occur in each of the organization units;
54 (ii) engaging the branch office manager in the decision making process related to the organizations (Maryanto,
55 2004). Although the branch managers involved in budgeting and decision-making process, but the results of the
56 preliminary study are interesting phenomenon to do more in terms of assessment of the level of involvement of the
57 manager of a branch office in the preparation of the budget. When the decision on the allocation of the budget to
58 be unjust, then the manager will look at how the decision-making process or procedure is determined ??Folger,
59 1986). He added, if the budget allocation decision having a fair procedure, then it will affect the performance.

60 According to ??ansen and Mowen (2005: 267), an organization needs to translate the overall budget strategy
61 into plans and short-term goals and long term. A budget is a plan prepared quantitatively, generally in the size
62 units of money, which includes a specific time, usually one year. This preparation of a budget helps the management
63 to communicate the goals of the organization to all managers. In addition, the budget is the information for the
64 managers to realize the budget through analyzing specific needs and behavioral patterns. Moreover, the budget
65 process is basically a negotiation between the managers in setting up the goals and actions which followed with
66 its' implementation. The budget that has been approved by the supervisor contains income expected to be earned
67 in the fiscal year, and sources must be used to achieve overall corporate objectives.

68 According to ??iegel and Marconi (1989: 199), an organization run by humans and the actual performance
69 evaluation is an assessment of human behavior in carrying out its role in the organization. Therefore, the budget
70 often can have an impact on the psychological and behavioral responsibility of the managers.

71 Budget may lead to functional and dysfunctional behavior. In other words, there are positive and negative
72 effects of the budget on the motivation and behavior of those involved in the budget. Functional behaviors
73 would help and support the achievement of goals, otherwise dysfunctional behavior could be an obstacle to the
74 achievement of corporate goals. Negative behavior arises because of the pressure by the budget system adopted
75 by managers that decreased the performance ??Siegel & Marconi, 1989: 128). While positive behavior arises
76 when individual manager and organizational goals are combined to achieve it.

77 Research has shown that the participation of the budget has a positive effect on the motivation of management
78 ??Anthony & Govindarajan, 2003: 420), while participation refers to a process of shared decision making by two
79 or more parties initiated for the future outcomes. To see the extent of the performance achieved by the managers
80 can be seen from the report or accounting information presented by companies or called as management accounting
81 information. This management accounting information is needed by managers as the information useful in the
82 decisionmaking process. While, the accounting information also needed in the process of budget preparation
83 and control and for assessing the performance of the managers. ??nthy and Govindarajan (2003), suggests
84 that the process of budget preparation and control of the business and operations embodied aspects of human
85 behavior. The budget is basically the end result of negotiations between the units' managers or as the central of
86 responsibility with their supervisor to determine the goals and actions to be performed. Thus, the critical issue
87 in budgeting lies in the aspect of human behavior that is contained in the budget.

88 The process of planning and control in budgeting and business operations are basically the process of defining
89 the role for managers in the levels of the organization to carry out the activities in achieving corporate goals
90 which include setting up the resources to carry out the obligations. The prepared budget as the a plan that will
91 guide the implementation and controlling tool in its execution, thus the deviation occurred on the plans can be
92 immediately known the person in charge who was responsible and followed by acting immediate corrective.

93 To see to what extent a responsibility center has reached the target, it can be seen from the report of a
94 central achievement of accountability. The work of a responsibility center is successful when the goals stated
95 in the articles can be achieved, otherwise considered less successful when the goals stated in the budget is not
96 achieved. The results of these comparisons may lead to a difference (deviation). Significant deviations needs to
97 be further analyzed, in order to know what factors that cause such deviations. By knowing the factors that cause
98 the occurrence of irregularities, will allow management to undertake corrective action, so that deviations from
99 this budget can be eliminated or at least minimized, to avoid any wastage and encourage managers to improve
100 performance. Meanwhile, the role of managers in planning and controlling budgets and business operations, are
101 conducted according to the principles "bottom up-top down" that each organizational unit managers to create
102 and submit their respective draft budget to the budget committee by considering the existing economic resources,
103 then combined with mutual consent.

104 Here it appears that the managers' involvement or participation in budgeting began from designing the central

105 budget of their accountability respectively, to the implementation and control. Thus through this participation,
106 the managers feel their aspirations are valued and have an influence on the formulation of the budget. The
107 inconsistent results of these findings are encourage the researchers to evaluate various factors or variables that
108 may affect the relationship between the participatory budgeting with the managers' performance.

109 **2 II.**

110 **3 Literature Review**

111 Individuals within an organization are often influenced by their perceptions of the budget fairness. Generally,
112 one would compare the budget that has been set up for him with other parties at the same level. An individual's
113 perception of fairness is based on the target

114 **4 Global Journal of Management and Business Research**

115 Volume XIV Issue V Version I Year () D and process that becomes the motivation for individuals to achieve a
116 set budget (Lindquist, 1995;Libby, 1999).

117 One of the theory that tested the fairness is the referent cognitions theory. According to this theory, when
118 individuals receive unfair outcomes, their judgment becomes attached to referent or other parties ??Folger,
119 1986). Therefore, one would compare the outcomes they receive with referent outcomes, such outcomes were
120 due to receive or received by others with equivalent positions. The fairness can be viewed from two sides,
121 namely distributive fairness and procedural fairness. Distributive justice is an individual's perception of the
122 fairness distribution of organizational outcomes, while procedural justice relates to fairness and feasibility of the
123 procedures used to allocate or distribute the decisions within the organization ??Kreitner & Kinicki, 2000).

124 This study analyzed the effect of managers' perceptions of fairness in terms of procedural fairness, with the
125 following considerations: First, the participation of managers in budgeting allows managers to influence the
126 allocation or distribution of the budget. Second, the principle of the procedure is a mechanism for determining
127 the decision, including the decision to distribution. This means whether the allocation is fairly done or otherwise
128 will depend on how the budget allocation decision procedures are been set. Perceptions of managers on procedural
129 justice if the decision on the allocation or distribution of the budget is set based on reasonable or fair procedure.
130 Similarly, although the manager in carrying out its activities are often faced with budget constraints, but if the
131 budget allocation decision is determined based on a fair procedure, the top managers' perceptions of procedural
132 fairness will increase. Cropanzano and Folger (1991) suggested that if the process used to decide the amount
133 of budget allocation is reasonable, then the subordinate actions will lead to improve performance. Thus top
134 managers' perceptions of procedural fairness is an important factor that must be considered in designing a
135 budget.

136 The concept and measurement of commitment to goals is a key aspect of the theory of goal setting. According to
137 this theory, a commitment to the goals is refers to an individual commitment in achieving the organizations' goal.
138 According to Locke (1981) in Chong and Chong (2002), the manager's commitment is a strong determination to
139 achieve a goal on the budget that continually striving to reach it all the time. The commitment to a goal is a level
140 of individual commitment to achieve certain goals. Individuals who have a high commitment to the objectives
141 of the budget will always increase its efforts to achieve those goals, so it will have an impact on performance.
142 In contrast, individuals who do not have a commitment to achieve the goal on budget will result in a lower
143 performance level. Murray (1990) and Wentzel (2002) found the evidence that the manager's commitment has
144 positive influence on the performance of managers.

145 The performance is the success rate of individuals or managers in carrying out the work. In this research plan,
146 the manager at the pawnshop branch office becomes the object of the performance measure as the managers
147 of profit centers. As the profit center managers, the manager is responsible for the achievement of the unit
148 profit organization they lead. Their performances are based on the difference between revenue with expenses
149 gained that should be realized (Hansen & Mowen, 2005; ??nthony & Govindarajan, 2003). In relation to the
150 previous description about the participatory budgeting and procedural justice, it has raised questions about
151 whether the two variables actually affect the manager's commitment to the goals on budget or otherwise. Or is
152 there any relationship among these variables in the performance of managers. Similarly with the commitment of
153 the managers on budgetary purposes that may have an affect to their performance. Accordingly, the reciprocal
154 relationship and interplay between these factors will be tested in this study. Thus, the study examines the effect
155 of participatory budgeting and procedural fairness to the commitment and performance of managers is interesting
156 to be conducted in the development of sciences. The following are the considerations of the researchers to conduct
157 a study of these variables:

158 Firstly, the studies that examine the effect of participatory budgeting on the performance of the manager still
159 showed inconsistent results. According to Govindarajan (1986), in order to reconcile the inconsistent results, he
160 proposed to use the contingency approach through evaluation of various conditional factors, so as to improve
161 the effectiveness of participatory budgeting that influence on the performance of managers. This study uses
162 the conditional factor of commitment as an intervening variable. The intervening variable is a variable that is
163 affected by a variable and affect other variables (Shields & Young, 1993;Shields & Shields, 1998). Secondly, by
164 incorporating a different procedural fairness variable both in terms of the structure of the model and the findings

8 FINDINGS A) THE COLLECTION OF DATA

165 of existing research, it is expected to further enrich the models in the field of management accounting and the
166 behavioral aspects of accounting to guide the behavior of members of the organization in achieving the goals on
167 budget as well as to shows the originality of this study. Thirdly, this study of pawnshop assessment is done for
168 an effort to increase the commitment of the managers in the organization, so that the expected achievements to
169 be achieved. The achievement of performance at each branch offices is very important because it is not only used
170 to fulfill obligations to third parties but also to provide bonuses or to open a new branch office of pawnshop in
171 other areas. With the increasing number of pawnshop branches, the role of pawnshop is expected to assist the
172 government programs to improve the societal welfare economically.

173 5 III.

174 6 Methodology

175 This study aims to obtain a description of the effect of participatory budgeting and procedural fairness on
176 commitment and performance managers at the pawnshop in North Sumatra province. Both two types of
177 descriptive and verificative methods are used to analyze the data of the study. The behavioral aspect of
178 accounting on management accounting is used as the basis of the study with the emphasis on budget issues.
179 Types of relationships between variables are causality in which the independent variable is participatory budgeting
180 and procedural fairness serves as a cause of the variable, while the dependent variable is the commitment and
181 performance of managers as a effect of the variable. a) Operationalization of Variables The population of this
182 study is all 212 the pawnshop branches located in North Sumatra where the respondents are the individual of
183 branch managers that have the responsibility as the managers of profit center.

184 This study used a census of the entire population as the unit of analysis. Both validity and reliability are used
185 in this study. Validity test results have shown that all of the items are valid, while the reliability coefficient of
186 the questionnaire examining the five variables are all greater measures used in this study have given consistent
187 results.

188 7 c) Analysis and Hypothesis Test

189 The analysis used to test the hypothesis in this study is the Structural Equation Modeling (SEM) using AMOS
190 16. SEM is a set of statistical techniques that allow the testing of a set of relationships that are relatively
191 "complex" simultaneously ??Ferdinand, 2002). Since all variables are in ordinal-typed of scale, while the use of
192 path analysis requires the data to be in interval, then the original data transformed into ordinal interval data via
193 the method of successive interval with the following steps:

194 1. Pay attention to each statement (item) 2. For the said statement, the number of respondents is determined
195 to have a score of 1, 2, 3, 4, and 5 in order to obtain the frequency (F) 3. Each frequency is divided by the total
196 number of respondents in order to obtain the proportion (p) 4. The proportion is summed up sequentially for
197 each answer's scores in order to obtain the cumulative proportion (pk) 5. Using the chart interval, the Z value
198 is calculated for each cumulative proportion obtained 6. Determine the value of the interval for each value of Z
199 with the following formula:

200 Furthermore, as a benchmark for the closeness to state the high and low estimates of the indicator, the
201 correlation relationship or the strength of the effect is referring to the standard categories of Guilford ??Guilford,
202 1956: 145) with the following criteria: Source: ??uilford (1956: 145) IV.

203 8 Findings a) The Collection of Data

204 The data were obtained from the respondents; the managers of pawnshop branch offices in North Sumatra using
205 a questionnaire survey tool. Below is the table of questionnaires rate of return from respondents: The structural
206 model is built by a relationship among latent variables (construct) whereby the indicators have been tested for
207 validity and reliability in the measurement model. In accordance with the research paradigm that has been stated
208 previously, the structural relationship between variables is composed of two sub-structures, namely: 1. Effect of
209 participatory budgeting and procedural fairness to the manager's commitment Density at lower limit -Density at
210 upper limit SV = Area under upper limit -Area under lower limit than 0.7, so that it can be concluded that the
211 instrument The influence coefficient of participatory budgeting (X 1) on the manager's commitment (Y) is 0.338
212 and a coefficient for procedural fairness (X 2) on the managers' commitment (Y) is 0.565. To examine the effect of
213 variables which hypothesized partially using t test with the test criteria of ? is 0.05, the limit values for significant
214 test is 1.96. From these results, it can be seen the level of influence of participatory budgeting and procedural
215 fairness to the manager's commitment either simultaneously or partially. The calculated effect consists of the
216 direct, indirect and total effect. The magnitude of the direct, indirect and total effect of participatory budgeting
217 and procedural fairness are presented in Table 4 below. The influence coefficient of participatory budgeting (X
218 1) on the manager's performance (Y) is 0.471, a coefficient for procedural fairness (X 2) on the managers'
219 performance (Y) is 0.351 and and a coefficient for manager's commitment (X 3) on the managers' performance
220 (Y) is 0.296. To examine the effect of variables which hypothesized partially using t test with the test criteria
221 of ? is 0.05, the limit values for significant test is 1.96. From these results, it can be seen the level of influence
222 of participatory budgeting, procedural fairness and manager's commitment on the managers' performance either

223 simultaneously or partially. The calculated effect consists of the direct, indirect and total effect. The magnitude
224 of the direct, indirect and total effect is presented in Table ?? below. The results of calculations for the hypothesis
225 of the effect of participatory budgeting (X 1) and procedural fairness (X 2) on the manager's commitment (Y)
226 simultaneously can be seen in Table 6 below: Source: Data Output SPSS

227 The analysis showed that the participatory budgeting and procedural fairness affect simultaneously the
228 manager's commitment. The influence of these two variables to the manager's commitment is positive at 57.24%.
229 The results of this study indicate that the magnitude of the manager's commitment can be explained by the
230 participatory budgeting and procedural fairness, while 42.76% is explained by other variables. If the magnitude
231 of this effect is interpreted based on the level of relationship strength proposed by ??uiford (1956: 145), the
232 participatory budgeting and procedural fairness effects are still sufficient. Moreover, the effect of procedural
233 fairness variable was higher than the variable of participatory budgeting. In this regard, the efforts to increase
234 manager's commitment is to provide wider opportunities to be involved in the process/decisionmaking procedures
235 of the organization.

236 **9 b) The Effect of Participatory Budgeting on Manager's Commit- 237 mitment**

238 The participatory budgeting is hypothesized to have a significant influence on the manager's commitment. To
239 prove this hypothesis, the testing based on the survey data can be seen in Table ?? below. Source: Data Output
240 SPSS In Table ?? shows that the path coefficient of participatory budgeting to manager's commitment is 0.338.
241 The positive relationship of participatory budgeting on manager's commitment means that the higher the degree
242 of participatory budgeting, the higher the magnitude of the manager's commitment. Furthermore, the value of t-
243 test path coefficients of participatory budgeting variable on manager's commitment is 3.012. It is also found that
244 t-test value is greater than t-table (1.96), thus concluded that participatory budgeting significantly influence the
245 managers' commitment. Meanwhile, the effect of participative budgeting on manager's commitment amounted
246 to 18.37%. If the magnitude of this effect is interpreted based on the level of the strong relationship proposed
247 by ??uiford (1956: 145), then the effect of participatory budgeting on the manager's commitment is very low
248 or weak. The results are consistent with the findings by Chong and Chong (2002), Wentzel (2002), ??ulyasari
249 and Sugiri (2004) states that participatory budgeting has a positive and significant effect on the manager's
250 commitment. This a very weak effect of participatory budgeting due to the participation of branch manager in
251 preparation of budget are not in line with expectations in carrying out the role as the manager of the company's
252 organizational unit. In addition, although the branch managers are participated in designing the preparation of
253 budget but when there is a change in budget, it often poorly communicated. This resulted because the branch
254 managers face difficulty in achieving the targets on budget that have been set earlier, thus they are less committed
255 to the organization. To increase the manager's commitment is by providing a wider role in the preparation of
256 the budget. In other words, the pawnshop particularly those in regional offices need to improve the application
257 of participative management whereby a wider role is given, means it required to increase the responsibilities in
258 achieving the targets on the budget.

259 **10 c) The Effect of Procedural Fairness on Manager's Commit- 260 mitment**

261 The procedural fairness is hypothesized to have a significant influence on the manager's commitment. To prove
262 this hypothesis, the testing based on the survey data can be seen in Table 8 below: Source: Data Output SPSS

263 In Table 8 shows that the path coefficient of procedural fairness to manager's commitment is 0.565. The
264 positive relationship of procedural fairness on manager's commitment means that the higher the degree of
265 procedural fairness, the higher the magnitude of the manager's commitment. Furthermore, the value of t-test
266 path coefficients of procedural fairness variable on manager's commitment is 4.624. It is also found that t-test
267 value is greater than t-table (1.96), thus concluded that procedural fairness significantly influence the managers'
268 commitment. Meanwhile, the effect of procedural fairness on manager's commitment amounted to 38.87%. If
269 the magnitude of this effect is interpreted based on the level of the strong relationship proposed by ??uiford
270 (1956: 145), then the effect of procedural fairness on the manager's commitment is low or weak. The results are
271 consistent with the findings by Early and Lind (1987), Lin et al. ??1990), Wentzel (2002), ??ulyasari and Sugiri
272 (2004), Yusfah Ningrum and Ghozali (2005), which states that procedural fairness has a positive and significant
273 effect on the manager's commitment.

274 This a weak effect of procedural fairness due to a variety of decision-making procedures such as the budget
275 preparation and execution procedures, evaluation procedure of budget execution and award procedures that are
276 often done not in timely. At the pawnshop, a variety of decision-making procedures are well formulated but the
277 implementation is often done too late. For those pawnshop's branch offices that are geographically dispersed
278 so widely, this delay makes the branch manager cannot prepare and implement the budget properly and the
279 corrective action is often too late when there is a deviation in the responsibility. Similarly with the provision of
280 various forms of awards that been done in later time will not provide a meaningful value. Thus the timeliness
281 is an important factor that must be taken into consideration in formulating and implementing decisions. The

12 G) THE EFFECT OF MANAGER'S COMMITMENT ON MANAGER'S PERFORMANCE

282 hypothesis result of simultaneous effect of participatory budgeting, procedural fairness, manager's commitment
283 on manager's performance can be seen in Table 9 below: Source: Data Output SPSS

284 The analysis showed that the participatory budgeting, procedural fairness and manager's commitment affect
285 simultaneously the manager's performance. The influence of these three variables to the manager's performance
286 is positive at 84.77%. The results of this study indicate that the magnitude of the manager's performance can
287 be explained by the participatory budgeting, procedural fairness and manager's commitment, while 15.23% is
288 explained by other variables. If the magnitude of this effect is interpreted based on the level of relationship
289 strength proposed by ??uilford (1956: 145), the participatory budgeting, procedural fairness and manager's
290 commitment are having strong effect. Moreover, the effect of participatory budgeting variable was greater
291 than the variables of procedural fairness and manager's commitment. In this regard, the efforts to increase
292 manager's performance is to increase the participation of managers in the preparation of the budget. Increased
293 in participation is very important with consideration that they are the most knowledgeable both the potential
294 and weaknesses of the organization unit, so that they will develop a more realistic plan in accordance with the
295 conditions and the ability of the organization unit.

296 11 e) The Effect of Participatory Budgeting on Manager's 297 Performance

298 The participatory budgeting is hypothesized to have a significant influence on the manager's performance. To
299 prove this hypothesis, the testing based on the survey data can be seen in Table 10 below: higher the degree of
300 participatory budgeting, the higher the magnitude of the manager's performance. Furthermore, the value of t-test
301 path coefficients of participatory budgeting variable on manager's performance is 3.564. It is also found that
302 t-test value is greater than t-table (1.96), thus concluded that participatory budgeting significantly influence the
303 managers' performance. Meanwhile, the effect of participatory budgeting on manager's performance amounted
304 to 35.79%. If the magnitude of this effect is interpreted based on the level of the strong relationship proposed by
305 ??uilford (1956: 145), then the effect of participatory budgeting on the manager's performance is low or weak.
306 The results are consistent with the findings by Shields et al. (2000), Chong and Chong (2002), Wentzel (2002)
307 which states that participatory budgeting has a positive and significant effect on the manager's performance.
308 This a weak effect of participatory budgeting describe the awareness of branch managers that achievement is an
309 obligation and thus the related activities should always be done, so as not to affect the level of the authority
310 given by their superior manager in the preparation of the budget.

311 f) The Effect of Procedural Fairness on Manager's Performance

312 The procedural fairness is hypothesized to have a significant influence on the manager's performance. To
313 prove this hypothesis, the testing based on the survey data can be seen in Table 11 below: 10 shows that the
314 path coefficient of procedural fairness to manager's performance is 0.351. The positive relationship of procedural
315 fairness on manager's performance means that the higher the degree of participatory budgeting, the higher the
316 magnitude of the manager's performance. Furthermore, the value of t-test path coefficients of procedural fairness
317 variable on manager's performance is 3.136. It is also found that t-test value is greater than t-table (1.96), thus
318 concluded that procedural fairness significantly influence the managers' performance. Meanwhile, the effect of
319 procedural fairness on manager's performance amounted to 25.49%. If the magnitude of this effect is interpreted
320 based on the level of the strong relationship proposed by ??uilford (1956: 145), then the effect of procedural
321 fairness on the manager's performance is low or weak. The results are consistent with the findings by Libby
322 (1999), Wentzel (2002), ??ulyasari and Sugiri (2004) which states that procedural fairness has a positive and
323 significant effect on the manager's performance. This a weak effect of procedural fairness due to a tendency of
324 branch office managers that they feel less given the opportunity to express their opinions in the decision-making
325 process of the organization, so their drive to excel also low. Thus, the improvement of manager's performance can
326 be done by providing a greater opportunity in organizational decision-making procedure. Increases the magnitude
327 of the manager's participation in decision-making enabling them to determine the overall decision-making process
328 of the organization, so as to produce the information relevant to the job. The job relevant information is related
329 to the extent of manager's assessment ability to receive the information that can be used in effective decision
330 making as well as to evaluate the alternative decision. This also can improve the performance because it provides
331 more accurate predictions on the environment and a more effective choice for the best action.

332 12 g) The Effect of Manager's Commitment on Manager's 333 Performance

334 The manager's commitment is hypothesized to have a significant influence on the manager's performance. To
335 prove this hypothesis, the testing based on the survey data can be seen in Table 12 below: Source: Data
336 Output SPSS In Table 12 shows that the path coefficient of commitment to manager's performance is 0.296. The
337 positive relationship of commitment on manager's performance means that the higher the degree of commitment,
338 the higher the magnitude of the manager's performance. Furthermore, the value of t-test path coefficients of
339 commitment variable on manager's performance is 2.450. It is also found that t-test value is greater than t-
340 table ??1.96), thus concluded that commitment significantly influence the managers' performance. Meanwhile,

341 the effect of commitment on manager's performance amounted to 23.49%. If the magnitude of this effect is
342 interpreted based on the level of the strong relationship proposed by ??uiford (1956: 145), then the effect of
343 commitment on the manager's performance is low or weak. The commitment is closely related to the manager's
344 performance. Accordingly, the higher the commitment of managers, it will be the higher the performance. Results
345 of the study show that the effect of the manager's commitment to performance is still low which due to limitation
346 on the given budget, so their performance become low. Accordingly, the upperlevel managers attempt to increase
347 the lower level manager's commitment and suggested to continue fulfilling the expectations that will foster the
348 satisfaction or pride in themselves. The results are consistent with research conducted by Murray (1990), Chong
349 and Chong (2002), Wentzel (2002), Yusfah Ningrum and Ghazali(2005) which states the manager's commitment
350 has a positive and significant effect to performance.

351 Given the manager's commitment is an intervening variable, efforts to increase the commitment is also
352 influenced by the interaction of the previous independent variables, namely participatory budgeting and
353 procedural fairness. Thus, efforts to increase the manager's commitment on the goals of the budget can be done
354 by increasing their participation in the preparation of the budget. Through this participation, the managers will
355 have high motivation to achieve its stated objectives. Other efforts that can be done is to give a wider opportunity
356 to branch manager in the decision making process of the organization.

357 **13 VI.**

358 **14 Conclusion**

359 Based on the results and discussion, the research conclusions can be stated as follows: 1. Participatory budgeting
360 and procedural fairness simultaneously have a significant and positive effect to the manager's commitment. 2.
361 Participatory budgeting has a significant positive effect on managers' commitment. 3. Procedural fairness has
362 a significant and positive effect on managers' commitment. 4. Participatory budgeting and procedural fairness
363 and commitment simultaneously have a significant and positive effect on the manager's performance.
364 5. Participatory budgeting has a significant and positive effect on the manager's performance. 6. Procedural
365 fairness has a significant and positive effect on the manager's performance. 7. Commitment has a significant and
positive effect on the manager's performance. ^{1 2}



Figure 1:

366

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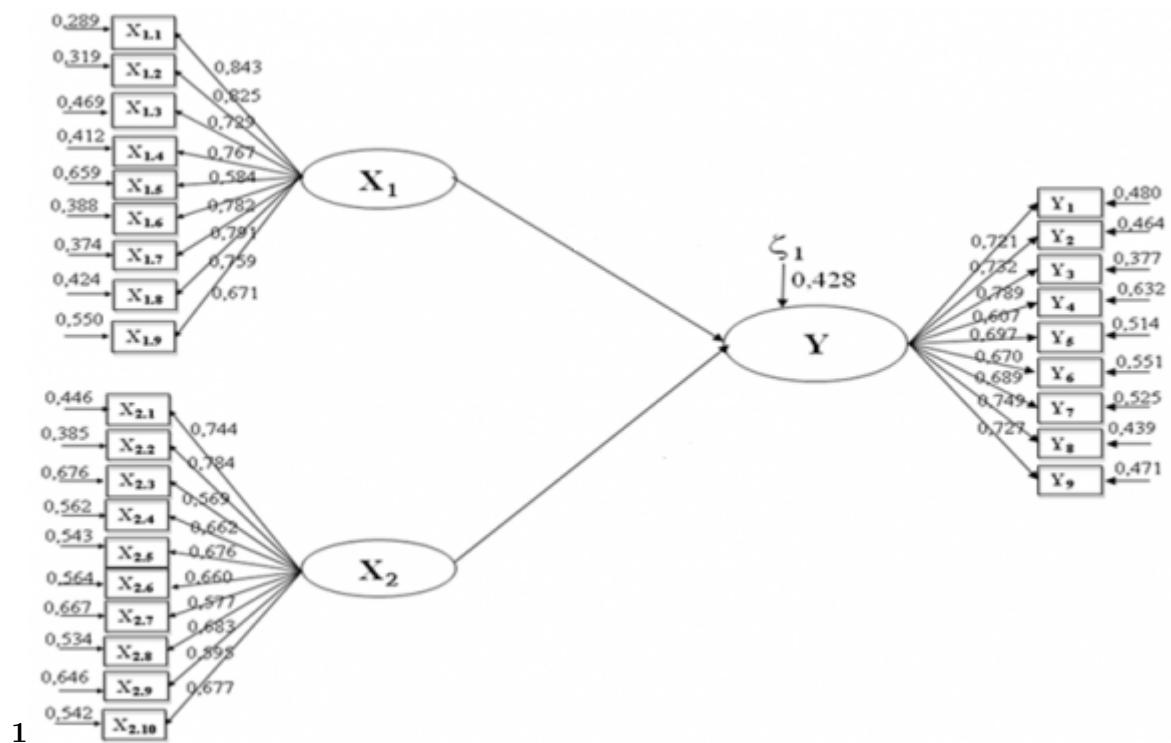


Figure 2: Figure 1 :

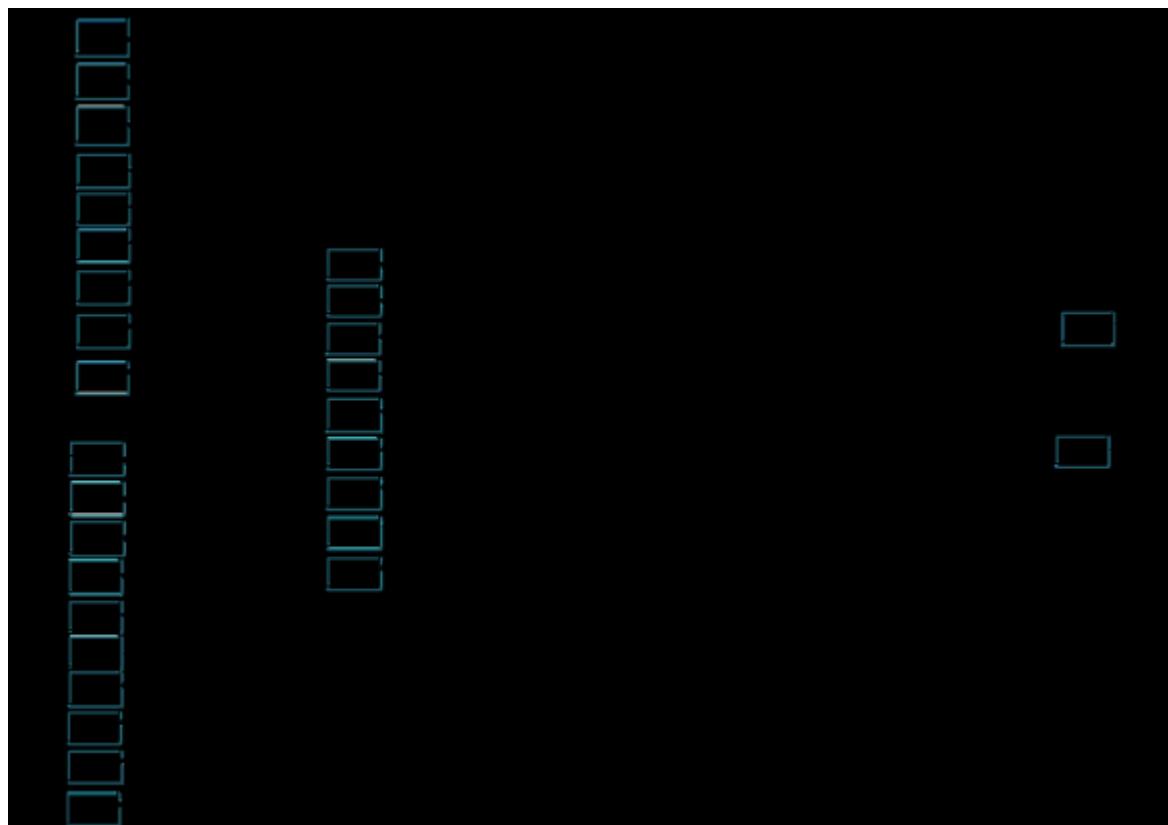


Figure 3:

1

Variable	Dimension	Indicator	Item No.	Scale
Budgeting	Participation	1. Participation in budgeting of managers	1	Ordinal
Participatory (X 1) Milani (1975), Kennis (1979), Brownell and Mc Innes (1986), Wentzell (2002), Widia (2012)		2. The opportunity to propose a budget	2	
		3. The effect of the proposal on the final approved budget	3,4	
		4. Participation in the revised budget	5	
		5. Direction of top-level corporate managers	6	
	Influence / Benefits	1. Clarify the purpose of the budget	7	Ordinal
		2. Creating the goal congruence of	8	
	Participation	3. Increasing the manager's commitment	9	
		4. Increase the achievement	10	
Procedural Fairness (X 2) Lau and Lim (2006), Wentzell (2002)	Budget	1. Consistency	11	
	Preparation	2. Timeliness	12	Ordinal
	Procedures	3. Independence in preparing the draft budget	13	
		4. Compliance with ethical and moral procedures	14	
		5. Accuracy of information	15	
		6. The attention of top-level managers	16,	
		7. Procedure budget evaluation	17	
	Control	8. Feedback budget	18	
	Procedures	9. Procedure promotion	19	
		10. Giving bonuses	20	
			21	
Manager's Commitment (Y) Hollenbeck et al. (1989), Wright et al. (1994), Chong and Chong (2002)	The Importance of Goals of The Budget.	1. Acceptance of budget goals as personal goals	22	Ordinal
		2. Willingness to implement budget	23	
		3. Satisfaction/pride	24	
		4. Failure feeling if the budget is unachieved	25	
		5. Develop a sense of challenge	26	
		6. Sense of responsibility and great care	27	
	Level of Effort	1. Willingness to work hard	28	
	Required to Achieve Objectives	2. Inspiration looking for the best way to improve performance	29	
	Earnings	3. Willingness to provide the best capability	30	
Manager's Performance (Z) Outlay (1978)	Achievement	1. Control/cost efficiency	31	Ordinal
		2. Achievement of revenue	32	

14 CONCLUSION

2

Correlation Value	Particular
< 0.20	The relationship is low or the influence is weak which almost negligible.
0.20 -0.40	The relationship is low or the influence is weak.
0.40 -0.60	The relationship/influence is moderate.
0.60 -0.80	The relationship/influence is high.
0.80 -1.00	The relationship/influence is very high.

Figure 5: Table 2 :

3

Particular	Total	Percentage
Distributed Questionnaires	212	100%
Returned Questionnaires	207	97.64%
Unreturned Questionnaires	5	2.36%
Questionnaires Analyzed in the Research	202	95.28%
b) Hypothesis Test		

Figure 6: Table 3 :

4

Commitment (Y)

Figure 7: Table 4 :

4

Variable	on the Manager's Performance (Z) Formula	Direct
Participatory Budgeting X ₁ (1)	$1 ? (0.471 2) \times 100 \% 2 ZX$ $1 (0.471 \times 0.364 \times 0.351) \times 100 \% 1 2 2 ZX X X r ? ? \times \times ZX 1 1 ZX X Y r ? ?$	22.18%
Procedural Fairness X ₂ (2)	$2 ? (0.351 2) \times 100 \% 2 ZX$ $2 (0.351 \times 0.364 \times 0.471) \times 100 \% 1 2 1 ZX X X r ? ? \times \times ZX 2 2 ZX X Y r ? ?$	12.32%
Manager's Commitment (Y)	$2 ZY ? (0.296 2) \times 100 \% 1 X Y r$ $(0.296 \times 0.544 \times 0.471) \times 100 \% 1 ZY ? ? \times \times ZX$	8.76%
Simultaneous Effect of X ₁ X ₂ X and Y on Z ($2 X Y r (0.296 \times 0.688 \times 0.351) \times 100 \% 2 ZY ? ? \times \times ZX$	1)
		2
		Z
		X
		X
		Y
		2
		.
		R

Other Variables on Z (2 ?)

Source: Data Output SPSS

V. Discussion

a) The Simultaneous Effect of Participatory Budgeting and Procedural Justice to the Manager's Commitment

Figure 8: Table 4 :

6

Variable	Path	Direct Effect	Indirect Effect	Total
	Coefficient			
(X ₁)	0.338	11.42%	6.95%	18.37%
(X ₂)	0.565	31.92%	6.95%	38.87%
	Total Effect Simultaneously			57.24%
	Other Variable on Y			42.76%

Figure 9: Table 6 :

14 CONCLUSION

8

Variable	Coefficient Effect	t	Critical t	Conclusion
Participatory budgeting	0.338	3.012	1.96	Positive and Significant Effect
Direct Effect = 11.42%			Indirect Effect = 6.95%	Total Effect = 18.37%

Figure 10: Table 8 :

8

Variable	Coefficient Effect	t	Critical t	Conclusion
Procedural Fairness	0.565	4.624	1.96	Positive and significant effect
Direct Effect = 31.92%			Indirect Effect = 6.95%	Total Effect = 38.87%

Figure 11: Table 8 :

9

Variable	Commitment (Y) to Manager's Performance (Z)	Coefficient Effect	Direct Ef- fect	Indirect Ef- fect	Total
(X 1)	0.471		22.18%	13.61%	35.79%
(X 2)	0.351		12.32%	13.17%	25.49%
(Y)	0.296		8.76%	14.73%	23.49%
Total Effect Simultaneously					84.77%
Other Variable on Z					15.23%

Figure 12: Table 9 :

10

Variable	Coefficient Ef- fect	t	Critical t	Conclusion
Participatory Budgeting	0.471	3.564	1.96	Positive and significant effect
Direct Effect = 22.18%			Indirect Effect = 13.61%	Total Effect = 35.79%

Source: Data Output SPSS

In Table 10 shows that the path coefficient of 0.471. The positive relationship of participatory budgeting to manager's performance is budgeting on manager's performance means that the

Figure 13: Table 10 :

11

Variable	Coefficient Effect	t	Critical t	Conclusion
Procedural Fairness	0.351	3.136	1.96	Positive and significant effect
Direct Effect = 12.32%			Indirect Effect = 13.17%	Total Effect = 25.49%

Source: Data Output SPSS
In Table

Figure 14: Table 11 :

12

Variable	Coefficient Effect	t	Critical t	Conclusion
Commitment	0.296	2.450	1.96	Positive and significant effect
Direct Effect = 8.76%			Indirect Effect = 14.73%	Total Effect = 23.49%

Figure 15: Table 12 :

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