

# Organizational Commitment Antecedent and Its Effect on Managerial Performance in Public Sector Budgeting

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**Abstract.** Regional autonomy is intended to improve public services and local government's performance including the managerial performance in public sector budgeting. This study aims to obtain empirical evidence on the effects of antecedent variable in public sector budgeting in local government within organizational commitment and public sector managerial performance. This study employs positivist paradigm with quantitative approach. This is an explanatory study with the population of public sector managers scattered in 343 regional work units (SKPD) of South Kalimantan district and municipal government. This study uses samples of 217 public sector managers with analysis unit of public sector manager and technique of multistage random sampling. Decentralization and participation in budgeting significantly affect organizational commitment and managerial performance directly. Distributive justice in budgeting significantly affects organizational commitment yet has no significant effect on managerial performance, while organizational commitment significantly affects managerial performance. Furthermore, indirectly, organizational commitment can partially mediate the effects of decentralization on managerial performance as well as the effects of participation on managerial performance. While organizational commitment can fully mediate the effects of distributive justice on managerial performance. The results of overall study showed that participation in budgeting is the central variable in shaping organizational commitment, while the organizational commitment turns out to be the most dominant variable affecting managerial performance and becomes the bridge of managerial performance achievement when distributive justice has no significant effect on managerial performance.

**Keywords:** decentralization, distributive justice, organizational commitment, public sector managers, public sector managerial performance, participation

**Abstrak.** Otonomi daerah dimaksudkan untuk lebih meningkatkan pelayanan publik sekaligus kinerja pemerintah daerah dan termasuk pula kinerja manajerial dalam penganggaran sektor publik. Penelitian ini bertujuan untuk memperoleh bukti empirik atas pengaruh variabel anteseden dalam penganggaran sektor publik pada pemerintah daerah terhadap komitmen organisasional dan kinerja manajerial sektor publik. Penelitian ini menggunakan paradigma positivistik dengan pendekatan kuantitatif. Penelitian bersifat eksplanatori dengan populasi para manajer sektor publik yang tersebar pada 343 Satuan Kerja Perangkat Daerah (SKPD) pemerintah kabupaten dan kota di Provinsi Kalimantan Selatan. Sampel yang digunakan sebesar 217 manajer sektor publik dengan unit analisis manajer sektor publik dan teknik pengambilan sampel multistage random sampling. Secara langsung desentralisasi dan partisipasi dalam penganggaran berpengaruh signifikan terhadap komitmen organisasional dan kinerja manajerial. Keadilan distributif dalam penganggaran berpengaruh signifikan terhadap komitmen organisasional tetapi tidak berpengaruh signifikan terhadap kinerja manajerial, sedangkan komitmen organisasional berpengaruh signifikan terhadap kinerja manajerial. Selanjutnya secara tidak langsung komitmen organisasional dapat memediasi secara tidak penuh (partial mediating) pengaruh antara desentralisasi terhadap kinerja manajerial dan demikian pula pengaruh antara partisipasi terhadap kinerja manajerial. Adapun komitmen organisasional dapat memediasi secara penuh (fully mediating) pada pengaruh antara keadilan distributif terhadap kinerja manajerial. Hasil secara keseluruhan menunjukkan partisipasi dalam penganggaran merupakan variabel sentral dalam pembentukan komitmen organisasional, sedangkan komitmen organisasional menjadi variabel yang paling dominan berpengaruh terhadap kinerja manajerial dan menjadi jembatan pencapaian kinerja manajerial ketika keadilan distributif tidak berpengaruh langsung terhadap kinerja manajerial.

**Kata kunci:** desentralisasi, keadilan distributif, kinerja manajerial sektor publi, komitmen organisasional, manajer sektor publik, partisipasi

## INTRODUCTION

Regional autonomy must not be defined in restricted manner as just the freedom in collecting and spending budget since it closely concerns with the capacity of local government in managing budget which includes planning, executing, monitoring, and accounting budget with public interest orientation as its paradigm.

Therefore, there really is a need for a budgeting system reform as a part of a set of reform of local financial management system in Indonesia, at district and municipal government level in particular.

The regulations for regional autonomy includes among others Law Number 22 Year 1999 on Local Government, amended in Law Number 32 Year 2004 and lastly in Law Number 23 Year 2014. Another regulation

is Law Number 25 Year 1999 revised in Law Number 33 Year 2004, stipulating Financial Balance between Central and Local Government. These two regulations become historical pillars for the reinforcement of the role and authority of local government, namely district and municipal government, in the implementation of regional autonomy. This reinforcement of role raises a new challenge for local government concurrent to financial reform particularly in budgeting system by the publication of Law Number 17 Year 2003 on State Finance, forcing the stipulation of Performance-based Budget System.

At present, the implementation of performance-based budget as an instrument of regional autonomy becomes more vital for its budget focus is oriented towards achievement of local government's performance including managerial performance of the leaders of Regional Working Unit (SKPD). This study, however, is not aimed to be a comprehensive study on the mechanism of performance budget implementation; it is restricted to the scope of organizational commitment creating factors and its contribution to the achievement of managerial performance of SKPD leaders. Moreover, this model is restricted since it does not involve political factor although this factor brings nuance to budgeting at local government with the intention of giving more focus on the goal. This study aims at analyzing the role of factors creating organizational commitment (decentralization, participation, and distributive justice) in regional budgeting and shows the contribution of organizational commitment created for the achievement of managerial performance of SKPD leaders. The reason for not involving political factor in this study is that managerial performance of the SKPD leaders is substantively inclined to concern behavior of individual as manager which is different to the performance of local government as an entity, which is not only relatively susceptible to individual behavior, but also to political factor in budgeting.

In particular, this study underlines the significance of managerial performance i.e. the achievement of SKPD leaders as managers, in connection to the implementation of managerial function in budgeting. Public sector manager in this study is defined as the leaders in SKPD holding position one tier under the SKPD head (comprising of the chiefs, field heads, regional assistance inspectors, and section heads on particular SKPD) in district and municipal government rank in South Kalimantan Province. This definition of managerial function refers to the reference of Mahoney et al. (1963) underlining the definition of how managerial functions can be executed by managers in budgeting in organizational context. Similarly, Mulyadi and Johny (1999: 164) underline how someone holding managerial position in an organization will produce abstract and complex managerial performance in connection to managerial functions. Another reference is Hammad et al. (2013) stating that managerial performance can specifically be distinguished from economic performance of the unit where the manager is accountable for. Next, Laitinen (2009) underlines the description of managerial performance to fundamental

characteristics of managerial jobs in connection to the functions such as among others negotiation, recruitment, training, innovating, and coordinating the managers. Thus, managerial performance definition is inclined to be connected to the execution of managerial functions in an organization, performed by the managers.

Managerial performance achievement requires cohesiveness of all members of organization, both among employees and leaders, to raise balance in the achievement of organization's and organization members' goals. Therefore, individually the leaders of SKPD must be highly committed to the organization to achieve high managerial performance. In the perspective of attitude, organizational commitment is termed as a form of working attitude created from various influencing factors which can predict one's behavior so that it is inclined to affect individual performance of the concerned person. Therefore, there are many factors creating organizational commitment in public sector budgeting context, particularly local government, which in this study will be referred to as the antecedents of organizational commitment.

Some studies concerning the role of organizational commitment antecedent variable and its contribution to managerial performance in business sector are among others conducted by Nouri and Parker (1998) and Hariyanti and Nasir (2002) who have similar discovery that participation plays a role in creating high organizational commitment and in the end high it contributes to managerial performance achievement. Meanwhile, a study in public sector at local government conducted by Dwianasari and Mardiasmo (2004) shows supporting result, namely that decentralization and participation create high organizational commitment and it contributes to high managerial performance achievement.

The results of observation on 11 district and 2 municipal governments in South Kalimantan Province show that managerial performance achievement of SKPD managers is part of the focus in budgeting management. One criterion of budgeting mechanism that should become the guideline in budgeting is the extent of financial resources or budget limit set by each SKPD. Therefore, coordinating the budget limit as budgeting guideline in every part of an SKPD will take high organizational commitment of the SKPD managers so that budget distribution, execution, monitoring, and accounting can be expected to run at optimum level and managerial performance achievement in budgeting becomes higher. However, there are so many factors creating organizational commitment that a particular study on the role of commitment-creating-variables and their contribution to managerial performance.

This study specifically studies factors creating organizational commitment in the context of budgeting at local government, viewed from regulatory aspect approach which in the end takes part in achieving performance, specifically managerial performance of SKPD managers in arranging budget, namely Regional Budget (APBD). Bastian (2006:100) suggests that governance executor must master primary principles in budgeting, among others observing factors of budget preparation. Concerning this, decentralization

in budget preparation as an instrument of regional autonomy implementation is a factor to be noticed since it can create organizational commitment and plays a role in achieving performance. Similarly, Instruction of Minister of Internal Affairs Number 26 Year 2006 strictly stipulates primary principles of preparing budget (APBD), namely: public participation, transparency and accountability of the budget, discipline of the budget, budget fairness, efficiency and effectiveness of the budget, and principle of obedience.

However, this study focuses only on factors so far become the point of concern for the researchers studying their influences in creating organizational commitment and performance achievement and the inconsistency results. The factors become independent variables in this study are decentralization, participation, budget fairness specifically viewed from distributive justice aspect, and managerial performance as dependent variable. Meanwhile, organizational commitment becomes the intervening variable.

Some studies concerning this have been previously conducted, among others Nouri and Parker (1998), Hariyanti and Nasir (2002) in business sector with the discovery that participation creates organizational commitment and in their turn, each contributes to the achievement of performance, although Mulyasari and Sugiri (2004) finds inconsistent result, namely that participation does not have significant effect on managerial performance. Next, in public sector Dwianasari and Mardiasmo (2004) discovers that decentralization and participation take part in creating organizational commitment, and each contributes to the achievement of managerial performance. Ulupui (2005) supports the discovery that participation affects performance, while Yahya et al. (2008) supports the discovery that participation creates organizational commitment and each contributes to performance. Crow et al. (2012) finds that distributive justice creates organizational commitment; Kohlmeyer III et al. (2014) affirms that participation and distributive justice create high organizational commitment.

This study extends previous research conducted by Dwianasari and Mardiasmo (2004) on the effect of decentralization and participation in budgeting to managerial performance with organizational commitment as intervening variable in Daerah Istimewa Yogyakarta Provincial government. The result of the study shows that decentralization and participation affect managerial performance and organizational commitment can mediate decentralization and participation in achieving managerial performance. The extension of the study is conducted by adding research variable (distributive justice) and expanding research subject not only in SKPD as an agency, but also involving all other SKPDs, namely regional secretariat, agency, inspectorate, and department so that the result gained can be more comprehensive.

Other related studies are among others conducted by Miah and Mia (1996), Andriani (2001), showing that performance improves, concurrent to the improvement of decentralization; while Primastiwi (2011) shows different result in which decentralization does not affect

the achievement of local government's performance. Participation in budgeting affect performance in business sector as observed by Eker (2009). Contradicting results in which participation does not affect performance are shown in the study of among others Bryan and Locke (1967), Milani (1975), Chenhall and Brownell (1988), Kren (1992) and Mulyasari and Sugiri (2004). Then, distributive justice in budgeting directly affects performance is discovered by Mulyasari and Sugiri (2004). Contradicting result is discovered by Wentzel (2002) supported by Ulupui (2005).

This study focuses on analyzing the direct effect of decentralization, participation, and distributive justice variables in budgeting on the creation of organizational commitment and its direct and indirect effect to managerial performance through the role of organizational commitment as intervening variable. The model of the study is created on the basis of the commitment effect model approach. Then, for a more detailed explanation concerning inspiration of observed variable and the influencing relation between variables, the grand theory used is comprised of new public management (NPM) theory, budget theory, and equity theory.

New Public Management (NPM) theory views practices of management in business sector better than the practices in public sector. Therefore, application of business sector management theory in public sector can be perceived as an alternative in improving performance of public sector, both concerning organization performance and managerial performance of the managers (Mahmudi, 2010: 34).

Referring to the view of NPM theory, the practices and concepts of business sector management can be adapted to practices in public sector management with the new paradigm oriented to optimum public service. In addition, this theory also justifies the importance of measuring managerial performance of managers in public sector with the level of implementation of management function executed by managers as indicator, so that management performance of SKPD leaders in budgeting can be measured by this approach.

Business sector budget theory believes that budget can force manager to make plan, repair decision making process, set the standard of performance assessment, and help in communication and coordination, thus the presence of budget is vital for organization (Hansen and Mowen, 2005:283). Then it also emphasizes that budget system contains behavior dimension; therefore budget is inclined to have influence on one's behavior in executing duties and affect performance achievement, and budget is often used as measurement of manager's performance (Hansen and Mowen, 2005:299). Budget plays important role in planning and controlling and decision making, both for big and small businesses, and effective for all entities both profit and non-profit oriented (Hansen and Mowen, 2005:282). Therefore, in substance, business sector budget concept can also be applied to public sector with certain adjustment considering the characteristics of public sector, namely non-profit oriented. Next, in term of accountability, it also says that in a growing organization with many



centers of accountability, organization will pick one of two approaches, namely centralization and decentralization system in making decision (Hansen and Mowen, 2005:531).

In the context of public sector budget (local government), decentralization in budgeting is an instrument in the implementation of regional autonomy. In regional autonomy context, decentralization in budgeting is the conferring of central government authority to local government to manage their own government matters in every region through the management of Regional Budget (APBD). In particular, decentralization has the definition of the level of decision making, involving middle and low level managers. Therefore, in local government budgeting, authority is decentralized to working unit level as the center of accountability (Yuwono et al. 2005:37). Moreover, it is also revealed that decentralization in budgeting provides every working unit opportunity to use budget in a safe, efficient and effective manner since they plan and draft the budget themselves. Therefore, decentralization has the implication on behavior creating commitment and takes part in achieving performance just like in business sector.

Participation in local government budgeting in general is defined as the involvement/role of public (public group) in particular area in the process of local government budgeting (APBD) as an instrument in participatory budgeting. Wampler (2000) suggests that participatory budgeting is the process of decision making in budgeting which involves the role of public in managing distribution of public resources. Further, it is also suggested that participatory budgeting can help improving transparency, in addition to having the potential to reduce inefficiency and corruption inside the government. Thus, when participation in budgeting helps improve transparency and has the potential to reduce inefficiency and corruption, it can be said that one's involvement in budgeting process can affect his performance.

Public participation transpires when public or their representative institution interacts with the government and provides feedback in decision making or implementation level of government policy (Moynihan, 2003). In the context of budgeting of local government in Indonesia, public participation in budgeting is actualized through development planning gathering (DPG) activity, from village to district/city levels. Then, the result of DPG becomes primary material of consideration in arranging work and budget plan of local government which is called Regional Budget (APBD). Thus, the type of public participation running at budgeting system of the local government is pseudo decisions. Moynihan (2003) suggests that pseudo decisions is a kind of public participation in budgeting which is symbolic in trait but involves wide public or particular public group (for example non-governmental agency, business association, profession, academician) where management and decision making is executed by government official authorized in budgeting (in Indonesian sample is the Musrenbang). Therefore, in this study public participation is represented by the involvement of SKPD leaders, one tier under SKPD

head that can be called public sector managers for their involvement in budgeting.

Distributive justice is an important part of budget fairness context. Budget fairness concept is a principle that needs to be noticed in drafting APBD as is stipulated in the Decree of Minister of Internal Affairs Number 26 Year 2006. In concept, this budget fairness can be explained by referring to organizational justice concept. Literatures state that organizational justice is a concept concerning how people takes action in organization and in general is divided in two dimensions, namely: distributive justice and procedural justice (Muchinsky, 2008). Further, it is also explained that distributive justice concerning fairness in distribution of the results to the members of an organization (Jones, 1998). Distributive justice is a kind of justice concerning distribution of resources and criteria used in determining resources allocation (Tjahjono et al., 2015). Thus, budget justice in this study is focused on distributive justice concerning how resources or result (income) acquired by local government is allocated to expenses of working units/SKPD in the context of drafting APBD.

Concerning budget justice, equity theory among others stresses on the importance of allocation or distribution of budget known as distributive justice. Ulupui (2005) states that the role of justice in budgeting process has become the focus of the study on behavior accountability, therefore this study involves budget fairness variable, distributive justice in particular.

One of the pioneers in the study on distributive justice, Libby (1999), accentuates that the company working with restricted resources will face the problem of inability to meet all demands of budgeting. Thus, it shows that the problem in budget fairness in particular concerning allocation of resources in business sector transpires when there is a restriction of resources which will raise questions on justice in budgeting as the consequence. This condition can also transpire in public sector particularly in local government with such restricted resource that there is a need for budgeting mechanism based on a pre-determined budget limit for every SKPD. This budget limit indicates restriction of financial capacity of local government in allocating gain (outcome) on the working units/SKPD expenses in the drafting of APBD which will possibly raise the question of fairness in budget distribution.

Concerning the creation of organizational commitment, the commitment-effect model can explain the process of creation and its effect (Nijhof et al., 1998). This model elaborates that there are three factors (personal characteristics, job characteristics, and organizational characteristics) creating organizational commitment which after the creation will instigate the effect for the appropriateness of organizational values and target with individual values. This appropriateness of value drives working involvement and grows one's loyalty which in the end will affect the achievement of performance.

This commitment-effect model is universal since commitment fundamentally concerns with individual attitude and behavior insubstantial to environmental stimulus so that one's attitude and behavior incline to

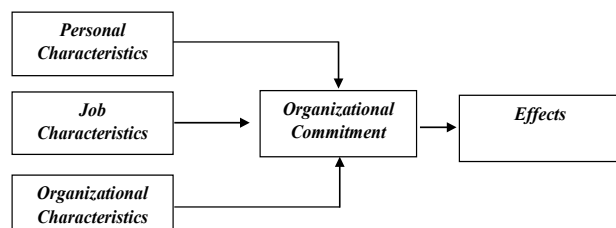
guide individual in achieving performance. Therefore, this concept can be applied to public sector organization. This is concurrent to NPM theory emphasizing that the practices and concepts running in business sector management can be adapted to practices of public sector management with a new paradigm orienting on optimum public service.

Decentralization and participation in budgeting is part of organizational characteristics as is justice in budgeting, which is concurrent to Mowday et al. (1982) on the factors affecting the creation of organizational commitment. This view is schematically explained by Nijhof et al. (1998) in Figure 1 below:

Organizational commitment is a measurement reflecting positive attitude of worker/employee concerning performance (Manogran, 1997). There are 2 (two) types of organizational commitment, namely affective (attitudinal) commitment and continuance commitment. The majority of previous studies focused on affective commitment (Nouri and Parker, 1998; Quirin et al., 2001) and conceptually the continuance commitment concept offers no other alternative when an individual survives at a particular organization for economic reason. This is different to affective commitment concept which tends to be dynamic in the form of employee's emotional attachment, work involvement level, and conviction in organization values. This study, therefore, focuses on affective commitment. Previous studies on affective commitment started in business sector, but concurrent to the development of public sector and the view of commitment as universal concept, some studies use the affective commitment concept, among others Yahya et al. (2008) and Crow et al. (2012).

The effect of decentralization on organizational commitment can be elaborated through the commitment effect perspective (Nijhof et al., 1998) in which organizational commitment is a working attitude created by antecedent variables, one of which is decentralization of budgeting. In the context of drafting budget at local government (APBD), decentralization concerns with the organization of conferring authority from top level managers (superior) to middle and low level managers (subordinate) in managing regional budget.

Empirically, Subramaniam and Mia (2000), supported by Dwianasari and Mardiasmo (2004), verify that improvement of decentralization has a significant effect on organizational commitment. Previous studies pioneering the relation between decentralization and organizational commitment are among others Dansereau et al. (1975), Bateman and Strasser (1984)



**Figure 1. The Commitment Effect Model**  
Source: Nijhof et al. (1998)

and Mathieu and Zajac (1990). From this explanation, the first study hypothesis can be formulated, namely H1: Decentralization affects Organizational Commitment.

The effect of decentralization on managerial performance can be elaborated using the view of Hansen and Mowen, (2005:299) that budget system has behavioral dimension to managers in budgeting so that it affects their performance achievement. Therefore, decentralization in the form of conferring of authority among managers in making budget decision drives the creation of responsible behavior to the decision made, and affects their performance achievement. This concept can also be applied in public sector organization considering that budgeting in principle is universal, concerning organization planning and controlling activities and involving individual as the actor possessing attitude and behavior in working.

One pioneer studying the relation between decentralization and performance is Miah and Mia (1996) who discover that performance is inclined to improve along with the improvement of decentralization. Next, Andriani (2001) also finds that decentralization indeed reinforces performance improvement. Likewise, the study conducted by Dwianasari dan Mardiasmo (2004) on local government generates supporting results. On the contrary, other studies among others the one by Primastiwi (2011) find that decentralization does not affect performance. From this explanation, the second study hypothesis can be formulated, namely H2: Decentralization affects Managerial Performance.

The effect of participation on organizational commitment can be elaborated that in budgeting system participation is understood as the involvement of lower tier management in budgeting process. This is concurrent to Kenis' (1979) view as a pioneer in previous referral studies that the involvement of lower tier management in budgeting process can be defined as participation in budgeting so that the managers are involved and take part at the center of responsibility. Other previous pioneer is Argyris (1952) who has previously stated that budgeting process requires involvement of lower tier management. Other referral study pioneers are Milani (1975) and Otley (1978).

As reference on development, this study is based on the research model conducted by Dwianasari and Mardiasmo (2004) who discovers that participation significantly affects organizational commitment. Concerning the relation between participation and organizational commitment, another study reinforces previous results that there is a direct relation between participation and organizational commitment in the study on public sector (Yahya et al., 2008). Participation allows managers to improve more effective communication and interaction in the achievement of organizational target which pushes the creation of organizational commitment as is elaborated in the commitment-effect model.

Some previous studies relevant to the finding that participation affects organizational commitment are among others conducted by Nouri and Parker (1998), Hariyanti and Nasir (2002), Dwianasari and Mardiasmo (2004) and Yahya et al. (2008). Therefore,

the third study hypothesis can be formulated, namely H3: Participation affects Organizational Commitment.

The effect of participation on managerial performance can be elaborated by referring to one pioneer study suggesting that budget drafting conducted in participative manner can improve performance of managers (Milani, 1975). A study in public sector at one local government in Indonesia conducted by Dwianasari and Mardiasmo (2004) supports the discoveries and Yahya et al. (2008); focusing on public sectors at the Ministry of Defense in Malaysia it discovers reinforcing results. In the context of organizational commitment, budgeting activities that involve all parties in the organization will push managers and their subordinates to internalize the determined budget draft in the implementation of their works so that the values of the organizational target compromise the goals of the members of organization. The internalizing process of the organizational target will improve organization effectiveness since the potential conflict between the goals of the organization members and the organization target can be reduced or even erased (Marsudi dan Ghozali, 2001).

There are other views suggesting that budget system has behavior affects performance dimension (Hansen and Mowen, 2005:299). Thus, conferring participation role in budgeting to the managers will drive the emergence of their responsibility towards what they do, which is inclined to affect the achievement of their managerial performance.

Some of previous studies, among others Kenis (1979), Brownell and McInnes (1986), Frucot and Shearon (1991), and Nouri and Parker (1998) generate the result of significant effect. Studies in public sector (local government) in Indonesia, among others are conducted by Fauziati (2002), Ulupui (2005), Wahyuni (2008), Dwianasari and Mardiasmo (2004), while Yahya et al. (2008) conducted a study in Malaysia. The study on business sector, among others by Hariyanti and Nasir (2002), discovers significant influence result. On the contrary, the study conducted by, among others, Chenhall and Brownell (1988), Kren (1992), and Mulyasari and Sugiri (2004) generate uninfluenced result. From this explanation, the fourth study hypothesis can be formulated, namely H4: Participation affects Managerial Performance.

On the effect of distributive justice to organizational commitment, it can be elaborated in this study that distributive justice as the antecedent of organizational commitment will grow managerial attitude to compromise individual values to organizational values, and drive work involvement as well as create loyalty to organization so that a strong organizational commitment can be created. The concept of distributive justice in budgeting in this study refers to the view of Magner and Johnson (1995). Thus, distributive justice is stressed on one's assessment of a fair distribution of resources allocation that should be accepted by a particular working unit compared to other working unit.

Previous study on the influence of distributive justice to organizational commitment is still lacking, among others is the one conducted by Magner and

Johnson (1995) which discovers that distributive justice does not affect organizational commitment. Magner and Johnson actually drew their inspiration from several preceding studies as the pioneers of the study, such as conducted by Alexander and Ruderman, 1987, Konovsky et al., 1987, Folger and Konovsky, 1989, and McFarlin and Sweeney, 1992 which found that distributive justice does not have significant effect on organizational commitment. Meanwhile, the study conducted in public sector in Korean National Police Agency (KNPA) by Crow et al. (2012) finds that distributive justice has significant positive effect on organizational commitment. In business sector, there is also a supportive discovery (Kohlmeyer III, et al., 2014). Thus, the fifth study hypothesis can be formulated, namely H5: Distributive Justice affects Organizational Commitment.

The effect of distributive justice on managerial performance can be elaborated on the basis of equity theory, emphasizing that the level of justice that one feels tends to improve performance or vice versa. This can be explained in equity theory approach suggesting that the primary input in performance is the rate of equity or inequity (justice or injustice) accepted or felt by one in his job (Luthan, 2006:290). Thus, when justice is felt in the job, managerial performance tends to improve and on the contrary when the injustice is felt, managerial performance is inclined to decline.

Some previous studies, among others Wentzel (2002) and Ulupui (2005) find that distributive justice does not affect performance. Meanwhile, studies with contradictory result conducted by among others Mulyasari dan Sugiri (2004) demonstrates that managers' perception of distributive justice affect performance. From this explanation, the sixth study hypothesis can be formulated, namely H6: Distributive Justice affects Managerial Performance.

The effect of organizational commitment on managerial performance can be elaborated by referring to organizational commitment concept in attitudinal perspective with affective orientation which views it as an attitude that can predict individual behavior in doing the job. This is concurrent to the reality that factually in behavioral accountancy study in general organizational commitment with attitude approach school is the most often used concept (Ghozali and Ivan, 2006: 195). On the basis of attitude approach, organizational commitment is defined as a relative power concerning individual identification of organization, including acceptance of values and goals of organization (identification), a desire to seriously involve in organization (involvement), and a strong desire to maintain organization membership (loyalty). In concept, according to the view of commitment effect model, these three organizational commitment dimensions will guide one to certain behavior which will affect performance.

Some previous studies, among others conducted by Nouri and Parker (1988), Hariyanti and Nasir (2002), and Dwianasari and Mardiasmo (2004) generate results verifying that organizational commitment has significant influence to performance. Similarly,



a study in public sector in Malaysia generates result that organizational commitment has significant positive influence to managerial performance (Yahya et al., 2008). From this explanation the seventh study hypothesis can be formulated that H7: Organizational Commitment affects Managerial Performance.

Organizational commitment can mediate the influence of decentralization to managerial performance since decentralization effect in budgeting to managerial performance can be direct or indirect. When it happens indirectly, there is another variable that will play the role of mediator. This situation can be elaborated on the basis of the commitment effect model view in which organizational commitment on one hand is created by antecedent variable, while on the other hand after its creation it will affect other variable which in this study is managerial performance.

Previous studies testing direct and indirect effect among others is conducted by Dwianasari and Mardiasmo (2004). The result of their study is that decentralization directly affects managerial performance in significant way, while organizational commitment can indirectly be partial mediating variable between the two variables. From this explanation, the eight study hypothesis can be formulated that H8: Organizational commitment can act as effect mediator between Decentralization and Managerial Performance.

Organizational commitment can be the mediator of effect between participation and managerial performance since the influence of participation in budgeting to managerial performance can happen directly or indirectly. Indirect effect can transpire when there is mediating variable between the two variables. As is with decentralization variable, participation can also be the variable with behavior dimension since it can create the attitude that develops one's commitment to the work which will guide one to certain behavior that affects performance, which is concurrent to the

explanation in the commitment-effect model.

The study concerning this research model among others is conducted by Dwianasari and Mardiasmo (2004). The result of their study is that participation directly has significant influence to managerial performance and indirectly organizational commitment can be the partial mediator of the influence between the two variables. Similarly, the study of Yahya et al. (2008) reinforces the previous result. From this explanation, the ninth study hypothesis can be formulated that H9: Organizational Commitment can be the influence mediator between Participation and Managerial Performance.

Organizational commitment can be the effect-mediator between distributive justice and managerial performance since distributive justice in budgeting is a part of budget fairness aspect which contains behavioral dimension so that in the view of the commitment effect model, it is an antecedent variable that creates organizational commitment and after the creation it will affect other variable. Organizational commitment concept in attitudinal view explains that organizational commitment as an attitude will create certain behavior in work which is inclined to affect the achievement of performance.

The study on organizational commitment as intervening variable of the effect of distributive justice to managerial performance has not been found, although there are the studies of Crow et al. (2008) and Kohlmeyer III et al. (2014) which are limited merely to test the effect of distributive justice on organizational commitment. Therefore, this study is based on the logic of the commitment-effect concept. From this logic, the tenth study hypothesis can be formulated that H10: Organizational Commitment can be the mediator of effect between Distributive Justice and Managerial Performance. In concept, this research model can be presented as seen in Figure 2 below:

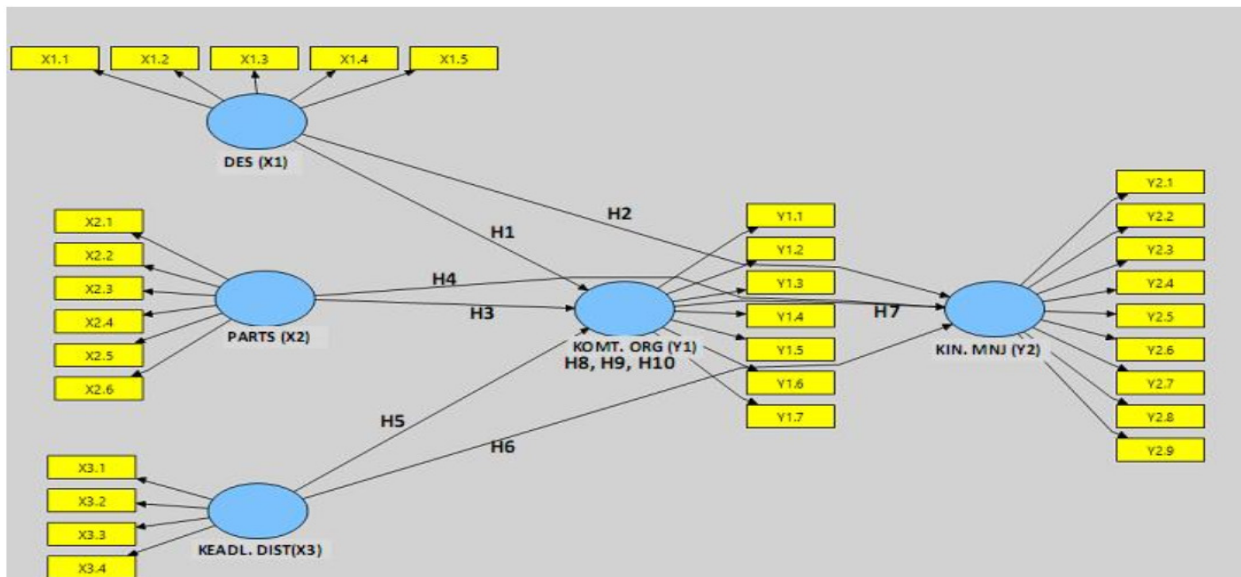


Figure 2. Research Model

Description: Decentralization (X1), Participation (X2), Distributive Justice (X3), Organizational Commitment (Y1), Managerial Performance (Y2)

This study is conducted at district and municipal governments in South Kalimantan Province on the consideration that studies on regional budgeting (public sector) in general are mainly focused in Java region, while this budgeting program is a national program, so it will be more interesting and required to conduct study in other region such as South Kalimantan Province. Other factor reinforcing the choosing of research location is that South Kalimantan Provincial Governance Index according to Indonesia Governance Index (IGI) is ranked at ninth of the big ten and is the highest for Kalimantan Region (Banjarmasin Post, 2013). It shows that the quality of government management in South Kalimantan Province in general tends to be in good category; therefore it is appealing to study, in particular concerning management of budget in district and municipal governments in South Kalimantan Province with the focus on factors creating organizational commitment and its effect to managerial performance.

## RESEARCH METHOD

This study is an explanatory quantitative research employing survey approach with questioner as instrument. The data is primary data collected from respondents. The population is public sector managers scattered around 343 SKPD of district and municipal governments in South Kalimantan Province with the sum of 217 public sector managers as samples. The samples are collected through multistage random sampling technique. Each studied variable is measured in the following manner:

Decentralization in budgeting is the level of implementation of conferring authority from the head of SKPD to the managers in the context of making decision for the working unit budget at district and municipal governments in South Kalimantan Province. Decentralization in budgeting is measured through five questions concerning the level of decentralization on capital goods provision (direct expense), operational need (indirect expense), human resources development program, the entire fund allocation and the level of decentralization of employee affair in Likert scale (1-5) developed from the instrument of Gordon and Narayanan (1984). Some previous researchers employing this measurement are Gul and Chia (1994), Chia (1995), Miah and Mia (1996), Subramaniam and Mia (2000), Andriani (2001), Dwianasari and Mardiasmo (2004).

Participation in budgeting is the level of involvement and influence of managers in the process of drafting working unit budget in district and municipal governments in South Kalimantan Province. Participation in budgeting is measured through six questions concerning the level of involvement in budgeting, level of budget revision consideration width, level of opinion-offering frequency, level of influence to final budget, level of urgency of contribution to budget, and level of opinion request frequency in Likert scale (1-5) developed from Milani instrument (1975). Some researchers previously employing the same measurement are Brownell (1982b), Magner

et al. (1995), Subramaniam and Mia (2000), Fauzati (2002), Dwianasari and Mardiasmo (2004).

Distributive justice in budgeting is the level of balance of accepted budget allocation suggested by managers for their working unit to district and municipal government in South Kalimantan Province. Distributive justice in budgeting is measured through four questions concerning the level of appropriateness of budget, level of budget requirement, budget expected, and level of whole budget fairness developed from distributive justice items proposed by Magner and Johnson (1995) in Likert scale (1-5). Some researchers employing the same measurement among others are Wentzel (2002), Mulyasari and Sugiri (2004), and Ulupui (2005).

Organizational commitment is the level of manager's psychological attachment to organization in the form of conviction to organization values and goals, involvement in organization and loyalty related to budgeting process in district and municipal government in South Kalimantan Province. Measurement of organizational commitment is developed from organizational commitment questionnaire (OCQ) instrument proposed by Mowday et al. (1979) and adjusted to the context of local government. Measurement is conducted through seven questions on compatibility of organization values to individual, commitment to guard the credibility of organization, commitment to always ready to accept organization task, commitment to implement task well, commitment to be accountable to organization, commitment of loyalty and commitment to keep joining organization in Likert scale (1-5).

Managerial performance is the level of success achieved by SKPD managers in budgeting through the implementation of managerial functions in district and municipal government in South Kalimantan Province. Managerial performance in public sector budgeting is measured through nine questions concerning implementation of management activity in budgeting, namely: planning, coordinating, evaluating, investigating, monitoring, staff arranging, negotiating, representing, and the whole performance developed from the idea of Mahoney et al. (1963, 1965) in Likert scale (1-5). To avoid subjectivity of assessment should the manager assesses his own performance (self rating measure), the assessment of managerial performance is conducted by the direct superior of the managers.

## RESULT AND DISCUSSION

The hypothesis testing employs statistic test using PLS (partial least square) software SMARTPLS version 2.0 M3. The result on inner model (structural model) is compatible with the output result of PLS as seen in Figure 3 below:

Meanwhile, the significance of direct effect can be seen from result for inner weights, where effect is considered significant if the score of T-statistics  $> 1.96$ . Summary of t test results (T-statistics) is presented in Table 1 below.

The result of the first hypothesis (H1) test shows T-Statistics score of 3.931  $> 1.96$ . This result clarifies significant influence so that H1 is supported and H0



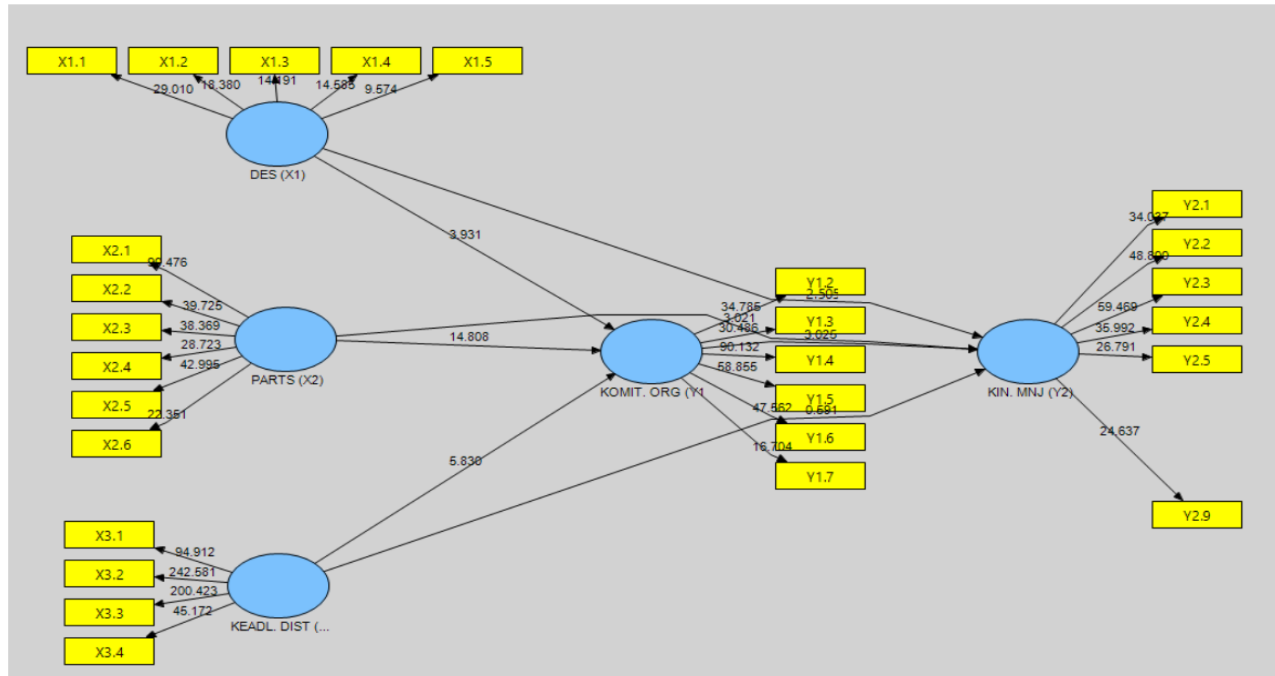


Figure 3. Results of Structural Model Analysis  
Source: PLS Output

Table 1. Summary of Direct Effect Test Results

No.	Independent Variable	Dependent Variable	Inner Weight	T-Statistics	Results
1.	Decentralization (X1)	Organizational Commitment (Y1)	0.127	3.931	Significant
2.	Decentralization (X1)	Managerial Performance (Y2)	0.108	2.505	Significant
3.	Participation (X2)	Organizational Commitment (Y1)	0.468	14.808	Significant
4.	Participation (X2)	Managerial Performance (Y2)	0.139	3.021	Significant
5.	Distributive Justice (X3)	Organizational Commitment (Y1)	0.152	5.830	Significant
6.	Distributive Justice (X3)	Managerial Performance (Y2)	0.022	0.590	Significant
7.	Organizational Commitment (Y1)	Managerial Performance (Y2)	0.136	3.025	Significant

Source: PLS Output

denied. The inner weight coefficient of 0.127 means that decentralization in budgeting (X1) positively affects organizational commitment (Y1). From this result, it can be concluded that the higher the level of decentralization implementation, the higher its influence on the improvement of organizational commitment.

In the context of regional budgeting at district and municipal government in South Kalimantan Province there is a conducive working climate that confers authority gradually in the process of decision making of budget to each SKPD so that the SKPD leaders (managers) feel the elements of appreciation and trust from organization as parts of governance management in conducting managerial duties. These appreciation and trust values has transpired in relatively long time and consistent so that they take part in creating and improving organizational commitment of managers towards organization. This study supports development of the commitment effect concept and also supports the discovery of Subramaniam and Mia (2000), Dwianasari

and Mardiasmo (2004) and also previous researches as pioneers of the study, among others Dansereau et al. (1975), Bateman and Strasser (1984) and Mathieu and Zajac (1990) which finds that increasing decentralization inclined to have positive impact in the increase of organizational commitment.

The results of the second hypothesis (H2) test shows T-Statistics score of 2.505 (>1.96). This demonstrates significant impact so that H2 is supported and H0 denied. The inner weight coefficient score of 0.108 means that decentralization in budgeting (X1) positively affects managerial performance (Y2). From this results, it can be concluded that the higher the level of decentralization in budgeting, the higher its contribution to the achievement of managerial performance.

Factually, it can be seen that assigning of part to SKPD managers in form of gradual conveying of authority in decision making of budgeting is perceived as an appreciation and trust from the organization which drives the emergence of bigger manager responsibility

to work better since they are aware that they themselves create planning and budgeting which will improve their managerial performance in budgeting in particular. The managers really feel that the implementation of decentralization in local government budgeting allows the managers to self-manage budgeting in their own working units. This study is in line with the view that budget system has behavior affect performance dimension (Hansen and Mowen, 2005:299) and also supports the discovery of Andriani (2001) stating that increase of performance tends to be caused by the increase of decentralization in making decision and the discovery of Dwianasari and Mardiasmo (2004). This discovery is not compatible with the result of study conducted by Primastiwi (2011) which finds that decentralization in budgeting of local government does not affect performance of local government.

The results of the third hypothesis (H3) test shows T-Statistics score of 14.808 ( $>1.96$ ). This demonstrates significant impact so that H3 is supported and H0 denied. The inner weight coefficient score of 0.468 means that participation in budgeting (X2) positively affects organizational commitment (Y1). From this results, it can be concluded that the higher the level of participation in budgeting, the higher its effect to creation or improvement of organizational commitment.

The SKPD managers feel that participation in budgeting in the form of their involvement in drafting budget has allowed them to be actively involved in drafting budget for each working unit. By direct involvement, they can plan and draft the requirements of their working units themselves which elicits appreciation value which triggers emergence of organizational commitment to perform their duties better. This study helps reinforcing the development of commitment effect concept and supports discoveries from business sector study result from among others Nouri and Parker (1998), Hariyanti and Nasir (2002), and public sector study conducted by Dwianasari and Mardiasmo (2004) and Yahya et al. (2008).

The results of the fourth hypothesis (H4) test shows T-Statistics score of 3.021 ( $>1.96$ ). This demonstrates significant impact so that H4 is supported and H0 denied. The inner weight coefficient score of 0.139 means that participation in budgeting (X2) positively affects managerial performance (Y2). From this results, it can be concluded that the higher the level of participation in budgeting, the higher its contribution to the achievement of managerial performance.

This result of the study shows that implementation of participation in the form of direct involvement of SKPD managers in budgeting as a whole is indicated well. This can be seen from the active role of the managers in arranging budget in each working unit. This condition has been transpired consistently in a long time so that this participation containing appreciation value creates big responsibility to implementation of duties which in the end contributes to the improvement of their managerial performance. This study reinforces the view that budget system has behavior affects performance dimension (Hansen and Mowen, 2005: 299) and the view of the pioneer of the study Greenberg

and Folger (1983) proposing participation can improve performance, and the view of other initial pioneer of the study on the concept that budget arranged in participatory manner inclines to improve performance (Milani, 1975 and Kenis, 1979).

In the whole, this study supports the discovery of initial study in business sector among others Kenis (1979), Brownell and McInnes (1986), Frucot and Shearon (1991), and some further study, namely Nouri and Parker (1998), and Eker (2009). The study conducted in public sector (local government) in Indonesia in particular are Fauziati (2002), Dwianasari and Mardiasmo (2004), Ulupui (2005), and Wahyuni (2008), while in business sector among others is Hariyanti and Nasir (2002). Public sector study (Ministry of Defense) in Malaysia conducted by Yahya et al. (2008) finds similar results where participation significantly affects managerial performance. On the contrary, the results of this study do not support the discovery of Chenhall and Brownell, 1988; Kren, 1992; Mulyasari and Sugiri, 2004.

The results of the fifth hypothesis (H5) test shows T-Statistics score of 5.830 ( $>1.96$ ). This demonstrates significant impact so that H5 is supported and H0 denied. The inner weight coefficient score of 0.152 means that distributive justice in budgeting (X3) positively affects organizational commitment (Y1). From this results, it can be concluded that the higher the level of distributive justice in budgeting, the higher its effect to the creation or improvement of organizational commitment.

The results of the study elaborate that the level of distributive justice seen from the indicators compatibility of allocation to suggestion, compatibility of allocation to needs, compatibility of allocation to expectation, and compatibility as a whole shows the inclination of going well and significant in creating or improving organizational commitment. Continuity of distributive justice in budgeting can transpire well in the creation of organizational commitment since it is supported by assigning parts to managers to arrange and propose budget allocation for each SKPD themselves. This role assigning is perceived by managers as a kind of "justice" which allows them to arrange allocation/distribution of each working unit budget proposal themselves which drives working attitude in the form of commitment of the managers to work for organization.

This result supports development of the commitment effect model, but not concurrent to the discovery of Magner and Johnson (1995) in which distributive justice inclines to have no effect to creation or improvement of organizational commitment. Some previous researches of the initial study pioneers are also not in line with this study, namely Alexander and Ruderman (1987), Konovsky et al. (1987), Folger and Konovsky, (1989), McFarlin and Sweeney, (1992). However, discovery of public sector study (Korean National Police Agency) conducted by Crow et al. (2012) strengthens the view that participation in budgeting affects creation or improvement of organizational commitment.

The results of the sixth hypothesis (H6) test shows T-Statistics score of 0.590 ( $<1.96$ ). This does

not demonstrate significant impact so that H6 is not supported and H0 cannot be denied. The inner weight coefficient score of 0.022 means that distributive justice in budgeting (X3) does not positively affect managerial performance (Y2). From these results, it can be concluded that the level of distributive justice implementation, in budgeting transpired so far, does not affect the achievement of managerial performance.

These results also explain that so far distributive justice in budgeting policy has not fully reflected the sense of justice so that it cannot significantly contribute to managerial performance yet. In other words, there is still injustice in allocation/distribution of budget since there is the stipulation of budget limit which restricts budget allocation and must be obeyed in budget mechanism. When the managers are given role in arranging and proposing their working unit budget themselves, they feel the “justice” value, but in execution level the proposal of adjusting budget allocation to budget limit will raise the sense of “injustice” when the budget adjusted to the limit is smaller than the budget proposal.

Factually, budget limit policy in local government budgeting has triggered distortion in distribution/ allocation of budget, therefore the phenomenon where on one hand there is the sense of justice and on the other injustice affects on the level of distributive justice implementation in budgeting so that it cannot contribute to the creation or improvement of managerial performance. This discovery shows compatibility to the principle of equity theory stating that justice or injustice dimension affects performance. Empirically, this study supports the discoveries of Wentzel (2002) and Ulupui (2005) showing that distributive justice perception does not affect performance, while Mulyasari and Sugiri (2004) shows contradictory result where distributive justice affect performance.

The results of the seventh hypothesis (H7) test shows T-Statistics score of 3.025 (>1.96). This demonstrates significant impact so that H7 is supported and H0 denied. The inner weight coefficient score of 0.136 means that organizational commitment (Y1) positively affects managerial performance (Y2). From these results, it can be concluded that the stronger the organizational commitment created the stronger its contribution to achievement of managerial performance.

Organizational commitment as a working attitude has grown well in each LGA. This can be seen from the indication that all antecedent variables studied show their role in the creation or improvement of organizational commitment; hence in the context of regional budgeting organizational commitment is created by antecedent variables. Therefore, the

organizational commitment created in its consistent development generates working attitude in the end and drives certain working behavior which can contribute to the creation or improvement of managerial performance. In this study, organizational commitment can provide the most dominant contribution to managerial performance compared to other variables which strengthens the indication of the growth and development of created organizational commitment.

This result shows strong support to the commitment effect model which explains the creation of commitment by antecedent variable and which, after creation, affects other variable. In this study, managerial performance is the effect of organizational commitment. This result supports empiric discovery of previous studies among others Nouri and Parker (1988), Hariyanti and Nasir (2002), and Dwianasari and Mardiasmo (2004). Similarly, the result of public sector study (Ministry of Defense) in Malaysia by Yahya et al. (2008) shows that reinforcing organizational commitment positively and significantly affects managerial performance. Next, the results of indirect effect test through intervening variable to answer hypothesis 8, 9, and 10 can be seen in total effects table presented in PLS output. In summary, the test result is depicted in Table 2 below:

This indirect effect test is related to organizational commitment (Y1) which acts as intervening variable bridging direct effect among variables, namely decentralization (X1), participation (X2), and distributive justice (X3), in budgeting to managerial performance (Y2). The test is based on the principle of Baron and Kenny (1986) stating that the role of intervening variable (mediation effect) can be tested if the primary effect is significant and if it is not significant, it is not necessary to continue the test. From table 3.2. above, the result of indirect effect through the role of intervening variable is as follow:

The results of the test on the eight hypothesis (H8) shows that organizational commitment (Y1) can be partially mediating between the effect of decentralization (X1) and managerial performance (Y2) as is shown by the significant score of T-Statistics of the three direct effect (>1.96). Therefore, H8 is supported and H0 denied.

The partially intervening role of organizational commitment can transpire since directly decentralization in budgeting of local government play vital role in achieving managerial performance. This can also mean that the role of intervening variable (organizational commitment) in the context of decentralization-effect on managerial performance is still weak so that it cannot alter primary effect from significant into insignificant; hence its intervening role

**Table 2. Summary of the Results of Indirect Effect Test through Intervening Variable**

Indirect Effect	T- Statistics Score of Direct Effect in Total Effects Table			Test Results
X1→Y1→Y2	X1→Y1=3.931	X1→Y2=2.961	Y1→Y2=3.025	Partially Mediating
X2→Y1→Y2	X2→Y1=14.808	X2→Y2=5.482	Y1→Y2=3.025	Partially Mediating
X3→Y1→Y2	X3→Y1=5.830	X3→Y2=1.195	Y1→Y2=3.025	Fully Mediating

Source: PLS Output



is partially mediating. In this context, there are some possibilities that can weaken organizational commitment as mediator, namely hierarchical culture signified by "formal obedience" subordinate to superior that can reduce the degree of strong psychological attachment between manager of an organization, the reward system applied tends to be based on position not merit, and the policy of placing employee at particular position is leaning more on the element of trust/proximity between superior and subordinate not competency. This result supports the empirical discovery of Dwianasari and Mardiasmo (2004).

The result of the ninth hypothesis (H9) test shows that organizational commitment (Y1) can be partially mediating between the effect of participation (X2) and managerial performance (Y2) as is shown in the significant score of T-Statistics of the three direct effect ( $>1.96$ ). Therefore, H9 is supported while H0 denied.

Organizational commitment is partially mediating in the context of participation effect on managerial performance since there is an important role of participation in budgeting that directly has a strong effect on managerial performance and so does the direct effect of organizational commitment to managerial performance which renders the role of organizational commitment as partially mediating. This also means that organizational commitment cannot alter primary effect from significant to insignificant when acted as mediator. The possible cause in this context is related to the three conditions explained in the explanation of organizational commitment as mediator between the effect of decentralization and managerial performance. This results support the empirical discoveries of Nouri and Parker (1988), Hariyanti and Nasir (2002) and Dwianasari and Mardiasmo (2004). Other reinforcing discovery in public sector (Ministry of Defense) study in Malaysia is by Yahya et al. (2008).

The result of the test of the tenth hypothesis (H10) shows that organizational commitment (Y1) can be fully mediating between the effect of distributive justice (X3) and managerial performance (Y2) as is shown in T-Statistics score of distributive justice effect on managerial performance ( $X3 \rightarrow Y2 = 1.195 < 1.96$  which means the effect is insignificant although the other two direct effects  $X3 \rightarrow Y1 = 5.830$  and  $Y1 \rightarrow Y2 = 3.025$  are significant ( $>1.96$ ). Thus, H10 is supported and H0 denied.

In this context, organizational commitment as fully mediating is possible since distributive justice actually cannot directly contribute to the achievement of managerial performance. Therefore, the implementation of distributive justice in budgeting can only act in the achievement of managerial performance in district and municipal government in South Kalimantan Province through the mediation of organizational commitment. Distributive justice non-effectiveness on managerial performance as has been explained above is due to the two contrasting things in the creation of distributive justice, namely that on one hand the assigning of role to managers in proposing budget allocation brings the sense of justice, on the other hand budget limit must be obeyed in determining budget allocation which causes injustice. Thus, distributive justice created directly

cannot contribute in significant way to the achievement of managerial performance; so that it requires fully mediating role of organizational commitment. Empirically, the previous studies are relatively hard to find so that the reference for hypothesis structure is based on the argumentation of the commitment effect model and it is expected that this discovery can become initial reference for further studies.

## CONCLUSION

The results of the study clarify that decentralization, participation, and distributive justice in budgeting of the local government in South Kalimantan Province positively have significant effect on organizational commitment. Thus, the three variables contribute to the creation of organizational commitment. Then, decentralization and participation positively have significant effect on managerial performance and also organizational commitment, which show that the three variables contribute to the managerial performance achievement.

Other results of the study demonstrate that organizational commitment can be partially mediating between the influences from decentralization to managerial performance and from participation to managerial performance. Thus, organizational commitment functions as an alternative influence-line in managerial performance achievement. Moreover, organizational commitment can be fully mediating between the influences of distributive justice and managerial performance since distributive justice cannot directly affect managerial performance so that organizational commitment can function as the bridge of influence-line.

In the whole, participation in budgeting in local government is the most dominant variable in the creation of organizational commitment, while organizational commitment becomes the most dominant variable in the achievement of managerial performance. Thus, the originality of this study lies in the role of organizational commitment as full mediator bridging influence between distributive justice and organizational commitment since they are the early discoveries which can be the reference for later study.

Improvement in the implementation of budgeting principles must be supported continuously through the improvement of competencies of SKPD leaders acting as public sector managers in regional budgeting, both through formal education and technical training in regional budgeting. Concerning development of science in regional budgeting fields and behavioral aspect in accountancy, this study should be developed to be more innovative on the observed variables and their indicators, parallel to the amplifying demand for optimization of public service.

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