

**THE EFFECT OF ORGANIZATIONAL COMMITMENT AND
PROCEDURAL JUSTICE ON BUDGET PARTICIPATION AND
VILLAGE PERFORMANCE IN MUARO JAMBI REGENCY**

Rafiqoh R.^{1*}, Mukhzarudfa², Yuliusman³

¹⁻³ Master of Accounting Study Program, Faculty of Economics and Business,
Universitas Jambi, Indonesia

E-mail: ¹⁾ fiqarafiqoh7@gmail.com, ²⁾ Mukhzarudfa@unja.ac.id, ³⁾ Yuliusman@unja.ac.id

Abstract

This study aimed to investigate the impact of organizational commitment and procedural justice on budget participation, as well as the influence of organizational commitment and procedural justice on village performance. Additionally, the study explored the relationship between budgetary participation and village performance in Muaro Jambi District. The target population for this research comprised village officials and members of the BPD (Badan Permusyawaratan Desa) in Muaro Jambi Regency, with a sample of 23 villages that received Village Fund Performance Allocations. Primary data was collected through questionnaires, and path analysis with Smart PLS was employed to analyze the data, examining both direct and indirect effects between the variables. The findings of the study revealed that organizational commitment and procedural justice had an impact on budget participation. Furthermore, organizational commitment and procedural justice were found to influence village performance, while budgetary participation also played a role in shaping village performance within Muaro Jambi District.

Keywords: *Organizational Commitment, Procedural Justice, Budget Participation, Village Performance*

1. INTRODUCTION

Accounting is a rapidly evolving science, particularly in the field of government accounting. Government accounting specializes in recording and reporting transactions that take place in government agencies, playing a crucial role in public financial management (Yuliansyah & Rusmianto, 2015).

Village communities have government institutions in the form of village government organizations. In the economic realm, the village community possesses economic institutions such as farmer groups and Village Unit Cooperatives (KUD) as part of their organizational land ownership system. To facilitate political participation, village communities have an institution known as *Kumpulan Desa*, *Kepatihan Adat Nagari* (KAN), and several others. Additionally, to fulfill socio-cultural needs, the village community has institutions for activities such as *arisan* (rotating savings and credit association), prayer groups, gotong royong (community work), recitation congregations, pencak silat groups (Indonesian martial art), traditional art groups, and more. All of these institutions are organized, established, and functional in meeting the needs of the village community (Rusyan, 2018).

The refinement of the village fund allocation policy in 2020 was carried out by providing Performance Allocation (AK) to villages that achieved the best performance assessment results, in addition to the Basic Allocation (AD), Formula Allocation (AF),

and Affirmation Allocation (AA). The aim of providing Performance Allocation (AK) in the Village Fund is to enable villages to develop and compete fairly in improving their performance (Direktorat Jenderal Perimbangan Keuangan, 2021).

The Village Performance Assessment for the determination of the Performance Allocation (AK) involves the participation of the Regency/City Government in evaluating the performance of villages in their respective regions, based on the best verifiable data, including data from Ministries/Institutions as well as data from the Regency/City Governments and Village Governments (Direktorat Jenderal Perimbangan Keuangan, 2021).

Muaro Jambi Regency is one of the areas where several villages received the Village Fund Performance Allocation in 2022. The assessment of village performance is based on village financial management, Village Fund management, achievements in utilizing the Village Fund, and village development outcomes. Out of the 150 villages in Muaro Jambi Regency, 15% (fifteen percent) received the Village Fund Performance Allocation in 2022, which amounts to 23 villages. This indicates that only a small proportion of villages in Muaro Jambi Regency have demonstrated good performance (Direktorat Jenderal Perimbangan Keuangan, 2021).

The Village Budget (APBDes) serves as a crucial policy instrument for village governments. It holds a central position in balancing the capacity and effectiveness of the village government. The objectives of the village budget include determining income and expenditure, facilitating development planning decisions, authorizing expenditures, balancing performance assessment measures, and mobilizing employees while coordinating all activities (Murdayanti et al., 2020).

The decision-making process involves participation at all levels of government management. Subordinate participation in budget preparation provides an opportunity to incorporate local information. Subordinates can communicate and disclose personal information that can be included in the budget, forming the basis for evaluating their performance within the budgeting process (Ernis et al., 2017).

Participatory budgeting enhances managerial performance by delivering better public services. In other words, budget participation increases the responsibilities and performance of lower and middle-level managers (Putra and Rasmini, 2019). Managers can present their creative ideas to top managers, while subordinates can share personal information that becomes part of the budget and helps evaluate their performance. The involvement of middle and lower-level managers in budgeting leads to more realistic decisions, aligning with broader organizational goals (Arsanal et al., 2017).

Increased organizational commitment also contributes to higher performance. Organizational commitment serves as an indicator of employee performance, as higher commitment levels are expected to yield optimal performance. Each individual who joins an organization, whether in a company or government agency, is required to demonstrate commitment. Procedural justice plays a role in the budgeting process and managerial performance as well. Organizations with limited resources cannot fulfill all requests related to budgeting. Hence, fair procedures for distributing limited resources must be established (Novlina et al., 2020).

The impact of procedural justice on participatory budgeting can be observed through increased initiative and information exchange between superiors and

subordinates. Fair procedures for distributing limited resources are essential. The perception of fairness in the evaluation of subordinate performance, feedback communication, and determination of rewards by leaders (superiors) also plays a role. The effect of procedural justice on participatory budgeting can be seen in the increased initiative and information exchange between superiors and subordinates (Sastrawan, 2019).

This research replicates the study conducted by Murdayanti et al. (2020) on the impact of participatory budgeting and its implications for managerial performance. The current study differs from previous research in two aspects. Firstly, in previous studies, the budget participation variable only involved lower-level managers to upper-level managers. In this study, the participation of the Village Consultative Body (BPD) will be added as an institution involved in budget preparation. The involvement of the BPD is necessary as it serves as an institution to accommodate and channel community aspirations (Rusyan, 2018). Secondly, this study focuses on villages that receive the Village Fund Performance Allocation in Muaro Jambi Regency, whereas previous research was conducted on the DKI Jakarta Provincial Government.

2. RESEARCH METHODS

The research method used was quantitative research with a survey method. The population for this study consisted of all village officials and BPD members in Muaro Jambi Regency. Purposive sampling technique was employed to select a total of 23 samples for this study. The selected samples included village officials and BPD members from villages that received the Village Fund Performance Allocation in 2022 in Muaro Jambi Regency. Primary data was collected by the researchers using a questionnaire method. The data analysis method employed in this study was the PLS-SEM method using SmartPLS 3.

3. RESULTS AND DISCUSSION

3.1. Research Results

3.1.1. Evaluation of the Measurement Model (Outer Model)

1) Structural Validity Test

Table 1. Convergent Validity

Variable	Indicator	Loading Factor	Description
Organizational commitment (XI)	X1.1	0.848	Valid
	X1.2	0.910	Valid
	X1.3	0.876	Valid
	X1.4	0.913	Valid
	X1.5	0.884	Valid
	X1.6	0.873	Valid

Procedural Justice (X2)	X2.1	0.903	Valid
	X2.2	0.887	Valid
	X2.3	0.902	Valid
	X2.4	0.860	Valid
	X2.5	0.904	Valid
	X2.6	0.869	Valid
	X2.7	0.847	Valid
Budget Participation (YI)	Y1.1	0.763	Valid
	Y1.2	0.761	Valid
	Y1.3	0.798	Valid
	Y1.4	0.809	Valid
	Y1.5	0.828	Valid
	Y1.6	0.784	Valid
Village Performance (Y2)	Y2.1	0.805	Valid
	Y2.2	0.846	Valid
	Y2.3	0.838	Valid
	Y2.4	0.843	Valid
	Y2.5	0.851	Valid
	Y2.6	0.843	Valid

Based on the results of the convergent validity test shown in the table above, it is evident that all indicators within the constructs have achieved convergent validity, as indicated by correlation coefficients exceeding 0.70. This ensures that the indicators are strongly associated with their respective constructs. Additionally, discriminant validity was also assessed (cross-loading).

2) Discriminant Validity Test

Table 2. AVE Root

	Procedural Justice (X2)	Village Performance (Y2)	Organizational commitment (XI)	Budget Participation (YI)
Procedural Justice (X2)	0.882			
Village Performance (Y2)	0.575	0.838		
Organizational commitment (XI)	0.756	0.593	0.884	
Budget Participation (YI)	0.212	0.587	0.316	0.791

The AVE output results indicate that the procedural justice variable (X2) has a value of 0.882, which exceeds the threshold of 0.50. Similarly, the village performance variable (Y2) has a value of 0.838, also surpassing the 0.50 threshold. Additionally, the organizational commitment variable (X1) has an AVE value of 0.884, exceeding the 0.50 threshold. Similarly, the budgeting participation variable (Y1) has an AVE value of 0.791,

which is greater than 0.50. These reliability test results demonstrate that each construct's value exceeds 0.50, indicating satisfactory discriminant validity.

3) Reliability Test

Table 3. Composite Reliability and Cronbach's Alpha values

Variable	Crobach's Alpha	rho_A	Composite Reliability	Aveage Variance Etracted (AVE)
Organizational commitment (XI)	0.944	0.946	0.956	0.782
Procedural Justice (X2)	0.952	0.955	0.961	0.778
Budget Participation (YI)	0.881	0.891	0.909	0.625
Village Performance (Y2)	0.915	0.915	0.934	0.702

Based on the output, it is evident that organizational commitment exhibits a Composite Reliability value of 0.956, which exceeds the 0.70 threshold. This indicates that the organizational commitment construct is considered reliable. Similarly, the procedural justice variable displays a Composite Reliability value of 0.961, exceeding the 0.70 threshold, thus confirming the reliability of the procedural justice construct. Furthermore, the budget participation variable demonstrates a Composite Reliability value of 0.909, surpassing the 0.70 threshold, indicating the reliability of the budget participation construct. Lastly, the organizational performance variable shows a Composite Reliability value of 0.934, exceeding the 0.70 threshold, confirming the reliability of the organizational performance construct.

Additionally, based on the output, organizational commitment exhibits a Cronbach's Alpha value of 0.944, surpassing the 0.70 threshold, indicating its reliability. Similarly, the procedural justice variable displays a Cronbach's Alpha value of 0.952, exceeding the 0.70 threshold, confirming the reliability of the procedural justice construct. Furthermore, the budget participation variable demonstrates a Cronbach's Alpha value of 0.881, surpassing the 0.70 threshold, indicating the reliability of the budget participation construct. Lastly, the organizational performance variable shows a Cronbach's Alpha value of 0.915, exceeding the 0.70 threshold, confirming the reliability of the organizational performance construct.

3.1.2. Structural Model Evaluation (Inner Model)

Table 4. Structural Model

Variable	R Square	R-squared Adjusted
Budget Participation (YI)	0.102	0.086
Village Performance (Y2)	0.574	0.563

The adjusted R-squared value for the Budget Participation (Y1) variable is 0.086 or 8.6%. This indicates that 8.6% of the variation in the Budget Participation (Y1) variable can be explained by the variables Organizational Commitment (X1) and Procedural

Justice (X2), while the remaining 91.4% is influenced by other variables not included in the study.

Similarly, the adjusted R-squared value for the Village Performance variable (Y2) is 0.563 or 56.3%. This value indicates that 56.3% of the variation in the Village Performance variable (Y2) can be explained by the variables Organizational Commitment (X1), Procedural Justice (X2), and Budget Participation (Y1), while the remaining 43.7% is influenced by other variables not considered in the study.

3.1.3. Hypothesis Testing

Table 5. Direct Influence

	Original Sample (O)	Mean Sample (M)	Standard Deviation (STDEV)	T Statistic (O/STDEV)	P Value	Hypothesis
Organizational Commitment (X1) - > Budget Participation (Y1)	0.364	0.370	0.127	2.861	0.004	Accepted
Procedural Justice (X2) -> Budget Participation (Y1)	0.185	0.187	0.063	2.948	0.003	Accepted
Organizational Commitment (X1) - > Village Performance (Y2)	0.204	0.199	0.083	2.464	0.014	Accepted
Procedural Justice (X2) -> Village Performance (Y2)	0.325	0.320	0.072	4.492	0.000	Accepted
Budget Participation (Y1) - > Village Performance (Y2)	0.453	0.453	0.063	7.197	0.000	Accepted

In the t-test table provided, it can be observed that the impact of the Organizational Commitment variable (X1) on Budget Participation (Y1) is 0.004, which is less than 0.050. Moreover, the t-value is 2.861, exceeding the t-table (1.96). Thus, we reject the null hypothesis (H0) and accept Hypothesis 1. This indicates that Organizational Commitment positively and significantly influences Budget Participation.

Likewise, the effect of the Procedural Justice variable (X2) on Budget Participation (Y1) is 0.003, which is less than 0.050. The t-value is 2.948, surpassing the t-table (1.96). Hence, we reject H0 and accept Hypothesis 2. These results indicate that Procedural Justice has a positive and significant effect on Budget Participation.

Regarding the impact of the Organizational Commitment variable (X1) on Village Performance (Y2), the value is 0.014, which is less than 0.050. Additionally, the t-value of 2.464 exceeds the t-table (1.96). Therefore, we reject H0 and accept Hypothesis 3. This implies that Organizational Commitment positively and significantly affects Village Performance.

Furthermore, the effect of the Budget Participation variable (Y1) on Village Performance (Y2) is 0.000, which is less than 0.050. The t-value is 7.197, surpassing the t-table (1.96). As a result, we reject H0 and accept Hypothesis 5. These findings demonstrate that Budget Participation has a positive and significant effect on Village Performance.

Table 6. Indirect Relationship

	Original Sample (O)	Mean Sample (M)	Standard Deviations (STDEV)	T Statistics (O/STDEV)	P Values	Hypothesis
Organizational Commitment (X1) -> Budget Participation (Y1) -> Village Performance (Y2)	0.165	0.170	0.068	2.410	0.016	Accepted
Procedural Justice (X2) -> Budget Participation (Y1) -> Village Performance (Y2)	0.126	0.129	0.045	2.818	0.005	Accepted

In the table provided, we can see the finding bellow:

The mediation effect of the Budget Participation variable (Y1) between Organizational Commitment (X1) and Village Performance (Y2): The significance value (0.016) is lower than the threshold value (0.050), and the t-value (2.410) exceeds the t-table (1.96). As a result, the null hypothesis is rejected, and the alternative hypothesis is accepted. These findings indicate that Budget Participation mediates the relationship between Organizational Commitment and Village Performance.

The mediation effect of the Budget Participation variable (Y1) between Procedural Justice (X2) and Village Performance (Y2): The significance value (0.005) is also lower than the threshold value (0.050), and the t-value (2.818) exceeds the t-table (1.96). Thus, the null hypothesis is rejected, and the alternative hypothesis is accepted. This implies that Budget Participation mediates the relationship between Procedural Justice and Village Performance.

3.2. Discussion

3.2.1. Effect of Organizational Commitment (X1) on Budget Participation (Y1)

The results of the hypothesis testing indicate a positive and significant effect of organizational commitment on budget participation. This finding aligns with Rachman's (2014) research, which suggests that organizational commitment influences budget participation. When employees exhibit higher levels of organizational commitment, their

participation in budgeting activities tends to increase. Strong beliefs in organizational goals and values motivate employees to actively engage in the budgeting process.

Organizational commitment serves as a driving force behind budget participation, as employees who are committed to the organization strive to contribute their best efforts towards achieving desired goals. Such commitment fosters a sense of responsibility and encourages individuals to make decisions that benefit the organization. Moreover, the psychological dimension of organizational commitment plays a crucial role, shaping employee behavior and ensuring that individuals make informed decisions that contribute to the organization's sustainability. When employees are positively influenced by organizational commitment, it creates opportunities for them to participate in decision-making processes.

3.2.2. Effect of Procedural Justice (X2) on Budget Participation (Y1)

The results of the hypothesis testing demonstrate a positive and significant effect of procedural justice on budget participation. This suggests that fair decision-making procedures, particularly in the context of participation in budgeting, have a favorable impact on overall performance. This finding aligns with Sastrawan et al.'s (2019) research, which emphasizes the positive and significant relationship between procedural justice and participatory budgeting.

Procedural justice revolves around the fairness of decision-making processes and how it influences the attitudes and behaviors of individuals involved in and affected by these decisions. Employees' perception of procedural justice is measured by the extent to which formal procedures applied in decision-making enhance their participation in budgeting and overall performance.

Notably, procedural justice has broader implications for organizational conditions, particularly in shaping relationships between superiors and subordinates. Effective leadership indirectly impacts employee performance by fostering a more conducive, efficient, and harmonious working environment.

3.2.3. Effect of Organizational Commitment (X1) on Village Performance (Y2)

The results of the hypothesis testing indicate that organizational commitment significantly influences village performance. This finding is consistent with previous research conducted by Wuneir and Subardjo (2016), Eirnis et al. (2017), and Arsanal et al. (2018), which have demonstrated the positive and significant impact of organizational commitment on performance. In other words, when village employees exhibit a high level of commitment to their organization, they consistently deliver optimal results in terms of village performance.

3.2.4. Effect of Procedural Justice (X2) on Village Performance (Y2)

The hypothesis testing reveals a positive and significant effect of procedural justice on village performance. These results suggest that a fair budgeting process, coupled with procedures in the village's operational processes, has a positive impact on overall village performance. This finding is supported by Anggriawan (2017) study on the enhancement of managerial performance through fair procedures, as well as the relationship between perceptions of fairness and individual attitudes. When procedural justice is perceived by

village employees, it leads to improved participation in budgeting and ultimately enhances village performance.

3.2.5. Effect of Budget Participation (Y1) on Village Performance (Y2)

The hypothesis testing reveals a positive and significant effect of budget participation on village performance. This finding is in line with the research conducted by Putra and Rasmini (2019), which demonstrates the positive and significant influence of budget participation on managerial performance. This implies that participation in budgeting within the village context can enhance employee commitment to achieving village goals and improve overall performance. Budget participation plays a crucial role in increasing employee understanding of the goals to be achieved, thereby boosting motivation and effort towards improving village performance. Employees who actively participate in budgeting are more likely to be committed to the village's success and make decisions aligned with the village's objectives, leading to improved performance.

3.2.6. Mediating Effect of Budget Participation (Y1) on the Relationship between Organizational Commitment (X1) and Village Performance (Y2)

The hypothesis testing results indicate that budget participation acts as a mediator between organizational commitment and village performance. This finding aligns with the research conducted by Harahap (2018), which highlights the mediating role of budget participation in the relationship between organizational commitment and village performance. The study suggests that when employees actively participate in budgeting and carry out their duties effectively and efficiently, fair procedures are implemented. These fair procedures, in turn, contribute to the overall improvement of village performance.

3.2.7. Mediating Effect of Budget Participation (Y1) on the Relationship between Procedural Justice (X2) and Village Performance (Y2)

The hypothesis testing reveals that budget participation mediates the relationship between procedural justice and village performance. This finding supports the research conducted by Murdayanti (2020), which establishes a positive and significant relationship between procedural justice, budgeting participation, and managerial performance. When individuals actively participate in budget preparation and perform their responsibilities effectively and efficiently, fair procedures are implemented. This, in turn, enhances performance at both the individual and village levels. The study suggests that clear and fair mechanisms governing employee performance are likely to yield positive outcomes.

Overall, the findings emphasize the importance of budget participation as a mediating factor between both organizational commitment and procedural justice on one hand, and village performance on the other. Active involvement in budgeting processes not only fosters fair procedures but also contributes to improved performance outcomes. Implementing fair procedures and promoting employee participation in budgeting can enhance the overall performance of the village.

4. CONCLUSION

Based on the findings of the research conducted, the following conclusions can be drawn:

Organizational commitment has a positive and significant effect on budget participation. Higher levels of organizational commitment lead to increased participation in village budgeting. Employees who strongly believe in the goals and values of the organization are more motivated to actively engage in the budgeting process.

Procedural justice has a positive and significant effect on budget participation. The fair and transparent decision-making procedures influence the level of participation in budgeting activities within the village. When employees perceive that procedural justice is being upheld, they are more likely to actively contribute to the budgeting process.

Organizational commitment has a positive and significant effect on village performance. When employees have a high level of commitment to the organization, they consistently deliver optimal work results, which positively impact village performance.

Procedural justice has a positive and significant effect on village performance. Implementing fair and just procedures in the budgeting process and other operational aspects of the village promotes an environment of trust and cooperation, ultimately leading to improved village performance.

Budget participation has a positive and significant effect on village performance. Increased employee participation in the budgeting process within the village leads to enhanced performance outcomes. When employees actively contribute their insights and perspectives, it fosters a sense of ownership and accountability, resulting in improved village performance.

Budget participation mediates the relationship between organizational commitment and village performance. The role of procedural justice is crucial in this mediation process. When employees perceive fair decision-making procedures and have a high level of organizational commitment, their active participation in budgeting contributes to improved village performance.

Budget participation also mediates the relationship between procedural justice and village performance. The participation of all individuals in budgeting, driven by a fair and just procedural framework, plays a crucial role in ensuring effective and efficient execution of responsibilities. This, in turn, positively impacts the performance of each individual and contributes to overall village performance.

In summary, fostering organizational commitment, promoting procedural justice, and encouraging budget participation are essential for enhancing village performance. Fair and transparent procedures, along with active employee engagement in budgeting processes, lead to improved organizational outcomes and support the achievement of village goals.

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