

Budget Participation on Managerial Performance With Budgetary Justice As A Mediation Variable

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Abstract: The purpose of this study is to obtain empirical evidence of the influence of budget participation on managerial performance and to obtain empirical evidence of the influence of budget justice as a mediating variable on budget participation on managerial performance. This research is descriptive quantitative research with associative research methods and explanatory research. The data were obtained using primary data in the form of a questionnaire with a sample size of 141 companies in the PT. Surabaya Industrial Estate Rungkut. The data analysis in this study used Structural Equation Modeling (SEM) with the Partial Least Square approach using the WarpPLS application. The results showed that budget participation has a significant direct effect on managerial performance, both before and after including the mediating variables of procedural, distributive, and interactional justice. Procedural, distributive, and interactional justice were found to mediate this relationship. The findings highlight the importance of budget participation and justice in enhancing managerial performance. Procedural, distributive, and interactional justice mediate this relationship, emphasizing that fairness in processes, resource allocation, and interpersonal treatment positively impact performance. This supports fairness, transparency, and respect in decision-making, fostering trust, motivation, and long-term organizational success through ethical leadership and justice-driven practices.

Keywords Budget Participation; Procedural Justice; Distributive Justice; Interactional Justice; Managerial Performance

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INTRODUCTION

The budget tells managers what is expected and when it should be realized. Muhammad Sujai et al. (2020), argues that the budget provides managers with limitations on what they should buy, how much money they should use in operating activities and is the main reason for measuring their performance by comparing the targets they must achieve with the standards set in the budget. The budget is the main basis for the company for the decision-making process. A budget is a formal statement made by management about plans to be made in the future in a certain period, which will be used as a guideline in implementing activities during that period (Indrawati, 2020; Abdullah et al., 2022; Lestari et al., 2024). From this understanding, the budget that has been prepared has a role that the budget acts as planning, namely that the budget contains a summary of the company's financial plans in the future. This also shows that the

budget measures performance, namely the budget is used as a control system to measure managerial performance.

Along with the role of the budget, Cantika et al. (2021), states that the key to effective performance is when the budget objectives are achieved and the participation of managers plays an important role in achieving these objectives. Currently, discussions on budget participation are more associated with improving managerial performance. Research conducted by Kohlmeyer et al. (2014) and Giusti et al. (2019), found empirical evidence that budget participation has an effect on managerial performance. Meanwhile, research conducted by Inan et al. (2009); De Clercq et al. (2010) and Ermawati (2017), found empirical evidence that budget participation has no effect on managerial performance. The contradiction in the research results encourages researchers to further examine the relationship between budget participation and managerial performance. This is based on a view that improving managerial performance is a tool to make management functions more effective so that this will have an impact on improving managerial performance. Managerial performance according to Indrawati (2020), is one of the factors that can be used to increase organizational effectiveness. Managerial performance is based on management functions, namely how far managers are able to carry out management functions including planning, investigation, coordination, evaluation, supervision, staff selection, negotiation, and representation (Indrawati, 2020).

The inconsistency in the results of previous studies prompted researchers to examine certain situational factors that can bridge the influence of budget participation on managerial performance. The situational factor used in this study is budget fairness. Budget fairness is the perception of fairness felt by managers in the budget Firana & Abbas (2020). Perceived fairness in budgeting tends to be related to managers' attitudes and behavior because it provides conditions in which norms of rights or propriety are met. Therefore, fair treatment of managers drives a social exchange process where supervision and the company's efforts to make fair decisions give rise to an obligation to reciprocate the role of the manager. According to Maiga (2006), there are three forms of budget fairness, namely: procedural justice, distributive justice, and interactional justice. The study provides empirical evidence that budget fairness mediates the influence of budget participation on managerial performance. Lau & Tan (2006); Ogiedu & Odia (2013) and Kartasari et al. (2019), stated that the active involvement of middle managers in the budget preparation process can create a high perception of fairness, so that this perception of fairness will motivate all components to achieve higher managerial performance.

There are many previous studies that highlight the role of direct involvement of managers in corporate budget planning, where this is expected to minimize the impact of current business environment uncertainty. The active involvement of middle managers in the budgeting process is also related to the desire to obtain overall fairness, which in turn motivates them to improve corporate performance. Based on this background, the formulation of the problem in this study is as follows: Does budget participation affect managerial performance? Does procedural justice mediate the effect of budget participation on managerial performance? Does distributive justice mediate the effect of budget participation on managerial performance? And does interactional justice mediate the effect of budget participation on managerial performance?

LITERATURE REVIEW

The Influence of Budget Participation on Managerial Performance

Equity Theory according to Adams (1963), a high sense of justice fosters appreciation in subordinates, so that subordinates are more motivated to improve their performance. Current budget participation involves top-level managers with lower levels, the participation causes a sense of justice in subordinates. The sense of justice will encourage subordinates to be more

active in improving their performance through better planning, coordination, evaluation, and supervision efforts. Subordinate participation in the budget preparation process provides an opportunity for subordinates to convey needs in their area of responsibility, so that superiors can obtain good information regarding the budget to be decided. Active participation between subordinates and superiors in the budget preparation process makes budget needs right on target, so that it is useful for the process of budget effectiveness and efficiency (Lau & Tan, 2012; Pramiud, 2024). The existence of this effectiveness and efficiency makes it easier for overall company management to achieve increased managerial performance.

The existence of a participatory budgeting process motivates management to be more active in carrying out its management functions so that this will encourage increased managerial performance (Anthony et al., 2007). The involvement of all managers in the budgeting process makes it easier for top management to understand all internal conditions of the company, so that the control mechanism in the company's operationalization process can run well. In addition, the participatory budgeting process provides more information about the desires of all stakeholders in the company, so that the budget formed is part of the aspirations of stakeholders to be carried out properly by company management.

Research conducted by Govindarajan (1986); Kren (1992) and Lau & Tan (2012), provides empirical evidence that budget participation affects managerial performance. The study stated that the active involvement of middle managers in the budgeting process is able to absorb greater information so that this will minimize the information bias produced in the budget that is prepared. The minimal information bias will make it easier for top management to achieve the company's goals from the budget that has been set.

H1: Budget participation has a positive effect on managerial performance.

Procedural Justice Mediates the Effect of Budget Participation on Managerial Performance

Based on equity theory according to Adams (1963), a high sense of justice fosters appreciation in subordinates, so that subordinates are more motivated to improve their performance. Budgeting procedures that discuss the provisions applicable in budgeting, as well as the desire of subordinates to carry out these procedures consistently will increase the perception of procedural justice in subordinates. An increase in the perception of procedural justice encourages subordinates to be more careful in managing the available budget through efforts to improve their managerial performance.

The active participation of subordinates in the budget preparation process increases good cooperation between superiors and subordinates within the company, so that this cooperation encourages subordinates to carry out budget procedures well and consistently (Brownell, 1982). Subordinate participation in the budget process fosters appreciation in subordinates for the efforts made in determining the budget. The appreciation that grows in subordinates will create a high sense of justice related to the established budget procedures.

In addition, understanding budget procedures well is important for subordinates because the existing budget procedures contain provisions regarding budget components so that subordinates are able to determine the correct budget size according to needs (Greenberg, 1986). This encourages subordinates to be more active in coordinating with all components within the existing department. The increasing perception of procedural justice in managers due to the development of participation in the budget preparation process has an impact on the desire of management to be more active in achieving company goals (Nurchayani & Muhammad, 2023; Antonius et al., 2024). This has an impact on the ease of company management to improve managerial performance. Research conducted by Wentzel (2002); Maiga & Jacobs (2007) and Lau & Tan (2012), found empirical evidence that procedural justice can mediate the effect of budget participation on managerial performance. The study concluded that high participation

in the budgeting process will increase fairness in individuals, so that the individual's sense of fairness encourages individuals to use great effort, so that their performance increases. Based on the description above, the hypothesis built in this study is:

H2: Procedural justice mediates the effect of budget participation on managerial performance.

Distributive Justice Mediates the Effect of Budget Participation on Managerial Performance

Based on research by Adam (1963), about equity theory, a high sense of justice fosters appreciation in management, so that management is more motivated to improve its performance. A budget that is prepared according to the needs and expectations of the manager will make the manager more accepting of the large budget allocated, where the budget that is prepared has met the perception of high distributive justice (Pudjianto et al., 2023). An increase in the perception of distributive justice in the manager will encourage the manager to be more careful in managing the available budget through efforts to improve his managerial performance. The suitability of perceptions in the manager regarding the importance of active involvement between top management and managers below creates a high perception of justice in the manager. This is because budget participation fosters a conformity of perceptions between needs and expectations related to the size of the budget with the suitability of the size of the allocated budget (Kohlmeyer et al., 2014).

Budget participation will increase the manager's confidence that the budget is prepared based on existing needs and adjusted to the manager's expectations, so that the amount of the allocated budget is in accordance with needs. This has an impact on improving managerial performance. Research conducted by Magner & Johnson (1995); Wentzel (2002) and Kohlmeyer et al. (2014), found empirical evidence that distributive justice is able to mediate the influence of budget participation on managerial performance. Wentzel (2002), concluded that high participation in the budget preparation process will increase justice in individuals, so that the sense of justice of the individual encourages individuals to use great effort, so that their performance increases. Based on the description above, the hypothesis built in this study is:

H3: Distributive justice mediates the influence of budget participation on managerial performance

Interactional Justice Mediates the Effect of Budget Participation on Managerial Performance

Equity theory according to Adams (1963), explains that justice felt as a result of the budget participation process can occur due to the active communication process of each manager to form the budget needed by each department. The active communication process as a form of interactional justice will facilitate the budget participation process to improve managerial performance. Budget participation carried out by top management and middle management encourages the communication process between management to be more active in discussing the planned budget. In addition, budget participation increasingly activates management to better communicate the efforts made to achieve the goals of the budget. This will have an impact on increasing cooperation between managers so that it is easier for them to improve managerial performance. Interactional justice according to Maiga (2006), regarding the budget can run well with the existence of communication interactions between top managers and lower managers.

The perception of interactional justice reflects the feelings of employees towards managers, how managers are sensitive to employee problems and how managers treat their employees (Noe et al., 2011). The communication process in forming interactional justice can run well if each manager is able to actively participate in every aspect of the company's

activities (Wahyudi & Santoso, 2022; Alam et al., 2023). Related to the budget, the participation of all managers in the budget process will foster high interactional justice as a result of a well-established communication process. High interactional justice between managers will make it easier for each manager to reach a joint budget agreement, so that the company's goals can be achieved. This is due to the ease for each manager to carry out management functions due to good communication from each manager element.

Research conducted by Tyler & Bies (1990); Maiga (2006) and Dayan & Di Benedetto (2008), shows empirical evidence that procedural justice is able to mediate the effect of budget participation on managerial performance.

H4: Interactional justice mediates the effect of budget participation on managerial performance.

The conceptual framework is used to explain the relationship between variables with other variables used in this study. This study places the perception of budget fairness, namely: procedural justice, distributive justice and interactional justice. This is based on the reason that the results of the study were inconsistent when testing directly on the relationship between budget participation and managerial performance. Equity theory becomes the grand theory in this study. The theory and views above play a very important role in explaining what factors contribute to budget participation and managerial performance. The conceptual framework in this study as shown in Figure 1..

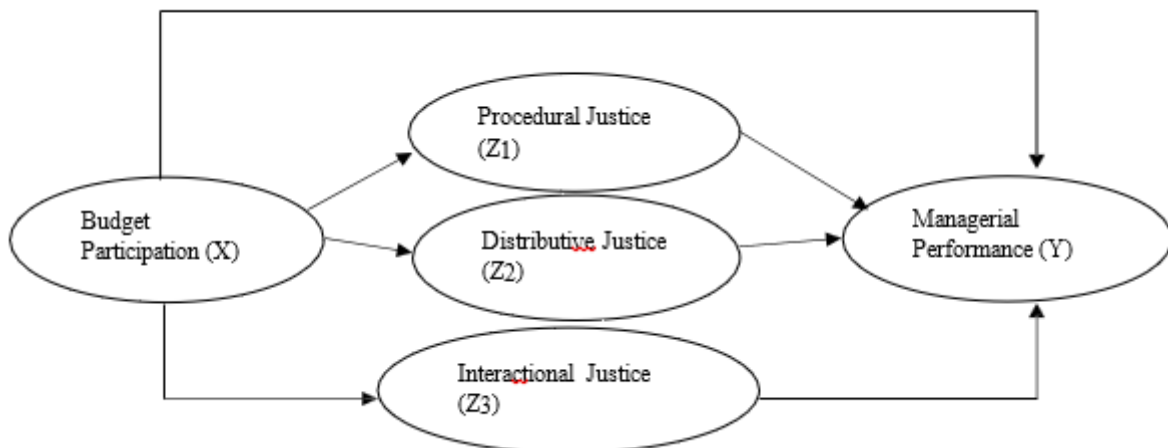


Figure 1. Conceptual Framework

METHODOLOGY

This research is a quantitative research with an associative and explanatory approach to understand the influence between variables and explain the causal relationship between the variables studied. Quantitative research is a structured research and quantifies data to be generalized (Anshori & Iswati, 2009; Devi & Rusydiana, 2016). The focus of this research is participation in budgeting, procedural justice, distributive justice, interactional justice, and managerial performance in manufacturing companies in Surabaya Industrial Estate Rungkut (SIER). Budgeting participation is measured through five indicators (Milani, 1975). 5 indicators are involvement in the preparation of budget activity plans in the area of responsibility (PB1), Influence in determining the final amount of the budget in the area of responsibility (PB2), Initiative in initiating discussions on the preparation of budget plans (PB3), Influence of thinking on the final budget (PB4), Important contribution in the area of responsibility (PB5).

Meanwhile, procedural justice is assessed based on eight indicators (Wentzel, 2002), namely: Opportunity to express opinions to budget decision makers before setting the budget for the unit (PJ1), Influence on the budget set for the department (PJ2), Consistency of treatment between departments by the company's budget procedures (PJ3), Consistency of application of budget procedures over time (PJ4), Accuracy of information used in company budget decisions (PJ5), Provisions of budget procedures that allow for appeals on the set budget (PJ6), Compliance of budget procedures with ethical standards (PJ7), Efforts by budget decision makers to maintain neutrality between departments (PJ8). Distributive justice is measured by five indicators that evaluate the suitability of the budget to the organization's responsibilities and expectations (Magner & Johnson, 1995). The indicators are Acceptance of responsibility according to budget (DJ1), Matching of allocated budget with organizational needs (DJ2), Matching of budget with expectations for final budget (DJ3), Sustainability of fair budget in area of responsibility (DJ4), Expression of superior concerns regarding budget constraints in area of responsibility (DJ5).

Interactional justice includes six indicators that measure the personal interactions of managers with supervisors during the budget process, such as timely delivery of feedback (Moorman, 1991). The indicators are Consideration of team members' perspectives in decision making (IJ1), Ability to suppress personal bias in decision making (IJ2), Providing timely feedback to team members about decisions (IJ3), Treatment of team members with consideration in decision making (IJ4), Concern for team members' rights as employees in decision making (IJ5), Steps to deal with team members in the right way in decision making (IJ6).

Managerial performance is measured by eight indicators covering managerial functions such as planning, supervision, and coordination (Mahoney, 1963). These indicators include the ability to be a determinant in the company's operational planning process (MP1), the ability to collect and convey information related to the company's operations (MP2), the ability to exchange information with other parts of the organization (MP3), the ability to assess performance in the company's operational process (MP4), the ability to direct, lead, and develop subordinates (MP5), the ability to maintain the workforce, recruit, interview, select new employees, place, promote, and transfer employees (MP6), the ability to bargain in purchases, sales, and contracts with suppliers (MP7), the ability to represent the company in meetings with other companies (MP8).

Data were collected using questionnaires distributed to business unit managers in SEER companies, such as finance, marketing, production, research and development, engineering, and supply chain managers. The population of this study initially included 1,344 managers from 224 companies, but because 26 companies were no longer operating and 57 companies refused to participate, the questionnaires were only distributed to 846 managers from 141 companies. The questionnaires were sent from December 2022 to February 2023. Of the total number of questionnaires returned, 846 questionnaires or 62.95% were eligible for analysis, while 130 questionnaires were ineligible and 368 were not returned.

This research model uses a causality approach or analysis of relationships between variables. Data analysis was carried out using WarpPLS software version 5.0 with the Partial Least Square (PLS) approach, a variant-based SEM method that allows simultaneous testing of measurement models and structural models. This study proposes that participation in budget preparation, fairness in procedures, distribution, and interaction all play an important role in determining managerial performance in manufacturing firms in SEER.

RESULT AND DISCUSSION

Descriptive analysis of respondent characteristics provides an overview of the respondent's condition as additional information to support understanding of the research results. Descriptive analysis of respondents in this study describes the description of age, company name, gender, position, length of service, and level of education. The results of the analysis showed that most business unit managers were in the age range of 40-50 years with a total of 449 people or 53.07% of the total respondents. The data shows that the age range of 40-50 years already has a lot of experience and knowledge in their fields so that they have an important role in managing the company.

Most business unit managers are male with a total of 590 people or 69.74% of the total respondents. Most of the business unit managers sampled have positions as engineering managers as many as 93 people or 10.99% of the total respondents. Engineering managers as many as 143 people or 16.90% of the total respondents. Supply chain managers as many as 59 people or 6.97% of the total respondents. Financial managers as many as 246 people or 29.08% of the total respondents. Production managers as many as 157 people or 18.56% of the total respondents. Marketing managers as many as 148 people or 17.49% of the total respondents. Most of the business unit managers used as research samples have quite long experience in their respective fields because they have worked for 1 to 2 years with a total of 565 people or 66.78% of the total respondents. Most of the business unit managers used as samples have a final educational background of D3 as many as 127 respondents or 15.01% of the total respondents, S1 as many as 633 respondents or 74.82% of the total respondents, S2 as many as 86 respondents 10.16%, while there is not a single respondent with a S3 educational background. The data shows that most of the managers used as respondents in this study believe that the S1 education they have undergone is sufficient to be a source of knowledge in managing the company.

Next is the Outer Model test. Each variable is tested for convergent validity which is assessed based on the correlation between the estimated item score/component score and the outer loading factor value. The minimum limit of the outer loading factor value of an indicator that is suitable for use to reflect a variable is 0.5. Based on the results of statistical data processing using the WarpPLS version 5.0 software to calculate the outer loading factor value, a table of outer loading factor values can be made for the results of the first iteration. The following table illustrates the reflective value of the indicator for each variable. Table 1 below illustrates the reflective value of the indicator for each variable.

Table 1. Estimated Outer Loading Factor Initial Iteration

Variable	Indicator	Outer loading	P-Value	Result
Budget Participation	PB1	0.752	<0.001	Valid
	PB2	0.748	<0.001	Valid
	PB3	0.749	<0.001	Valid
	PB4	0.751	<0.001	Valid
Procedural Justice	PJ1	0.883	<0.001	Valid
	PJ2	0.853	<0.001	Valid
	PJ3	0.818	<0.001	Valid
	PJ4	0.817	<0.001	Valid
Distributive Justice	DJ1	0.974	<0.001	Valid
	DJ2	0.730	<0.001	Valid
	DJ3	0.825	<0.001	Valid
	DJ5	0.973	<0.001	Valid
Interactional Justice	IJ3	0.886	<0.001	Valid
	IJ4	0.787	<0.001	Valid
	IJ6	0.949	<0.001	Valid
Managerial	MP1	0.790	<0.001	Valid

Variable	Indicator	Outer loading	P-Value	Result
Performance	MP2	0.838	<0.001	Valid
	MP3	0.798	<0.001	Valid
	MP4	0.892	<0.001	Valid
	MP5	0.650	<0.001	Valid
	MP6	0.736	<0.001	Valid
	MP7	0.734	<0.001	Valid

Based on Table 1, it can be seen that not all indicators have an outer loading factor value greater than 0.5. Indicators that have an outer loading factor value below 0.7 are assumed to be less feasible to be used as indicators that can reflect each corresponding variable. The results of testing the budget participation variable reflected by 5 show that one indicator is not feasible to reflect the budget participation variable, because it has an outer loading value below 0.7, namely PA5 (0.057) so that the indicator must be eliminated. Likewise, in the procedural justice variable with 8 indicators, it shows that there are 4 indicators that are not feasible to reflect the procedural justice variable, because they have an outer loading value below 0.7, namely indicators KP5 (0.033), KP6 (0.008), KP7 (0.087), and KP8 (0.005). In the distributive justice variable with 5 indicators, there is one indicator that is not feasible to be used because it has an outer loading factor value below 0.7, namely KD4. In the interactional justice variable reflected by 6 indicators, there are three indicators that are not suitable for use because they have an outer loading factor value below 0.7, namely KI1 (0.408), KI2 (0.477), and KI5 (0.015). Finally, testing on the Managerial Performance variable reflected by 8 indicators shows one indicator (KM8) that is not suitable for use because it has an outer loading factor value of 0.118 < 0.7. Based on the results in Table 2, all variables have an AVE value greater than 0.5. Therefore, it can be concluded that all variables are declared valid. After the variables have been declared valid, a reliability test is carried out on all variables used in this study. The reliability of the variables is tested by looking at the composite reliability and Cronbach's alpha values. The reliability coefficient value must be > 0.70 and Cronbach's alpha > 0.6. Likewise, all variables have a composite reliability value above 0.70 and a Cronbach's alpha value > 0.7. These results show that all variables are declared reliable and can be relied on for use in further analysis processes.

Table 2. Results of Reliability Test and Average Variance Extracted (AVE)

Variabel	Average Variance Extracted (AVE)	Cronbach's Alpha	Composite Reliability
Budget Participation	0.563	0.741	0.837
Procedural Justice	0.711	0.864	0.908
Distributive Justice	0.777	0.899	0.932
Interactional Justice	0.769	0.846	0.908
Managerial Performance	0.609	0.891	0.915

Before conducting a hypothesis test to see the influence between variables, a model fit test is first conducted. The model fit test aims to determine whether the model built in the study is fit with the original data, so that it can determine the quality of the model. The results of the model fit test in Table 3 show that the model in this study is declared fit. AVIF and AFVIF have values less than 5. GoF has a value of more than 0.25, SPR, SSR, and NLBCDR have values more than 0.7, and RSCR has a value of more than 0.9. These results indicate that the model built is feasible to carry out the analysis process.

Table 3. Model Fit Test

Fit Indices	Value
APC	0.460
ARS	0.601
AARS	0.600
AVIF	3.460 ; Acceptable if <5
AFVIF	3.813 ; Acceptable if < 5
GoF	0.642
SPR	1.000 ; Acceptable if > 0.7
RSCR	1.000 ; Acceptable if > 0.9
SSR	1.000 ; Acceptable if > 0.7
NLBCDR	1.000 ; Acceptable if > 0.7

Furthermore, hypothesis testing is carried out by testing the direct influence hypothesis and testing the indirect influence hypothesis. Based on the results of data processing with WarpPLS 5.0 software, the results of the research model that can be used in calculating the hypothesis testing in Figure 2 and Table 4 are obtained.

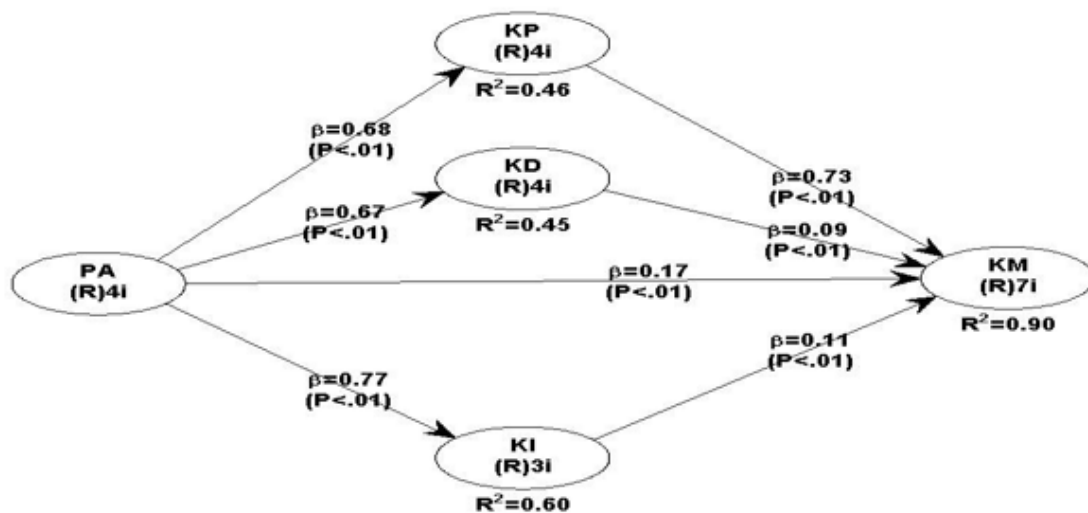


Table 4. Hypothesis Test Results

Inter-variable correlations		Path Coefficient	p-value	
Direct Effect before Inclusion of Mediating Variables	PB → MP	0.703	<0.001	
	Direct Effect after Inclusion of Mediating Variables	PB → MP	0.174	<0.001
		PB → PJ	0.679	<0.001
		PJ → MP	0.727	<0.001
		PB → DJ	0.668	<0.001
		DJ → MP	0.088	0.005
		PB → IJ	0.775	<0.001
		IJ → MP	0.105	0.001
Indirect Effect	PB → PJ → MP	0.504	<0.001	
	PB → DJ → MP	0.205	<0.001	
	PB → IJ → MP	0.481	<0.001	

The results of the hypothesis test show that the direct effect of budget participation on managerial performance before the inclusion of the mediating variable shows a significant positive result with a path coefficient value of 0.703 and a p-value <0.001. Furthermore, the

direct effect of budget participation on managerial performance after the inclusion of the mediating variable shows a positive and significant result with a path coefficient value of 0.174 and a p-value <0.001. The effect of budget participation on procedural justice shows a positive and significant result with a path coefficient value of 0.679 and a p-value <0.001. The effect of procedural justice on managerial performance shows a positive and significant result with a coefficient value of 0.727 and a p-value <0.001. The results also show the indirect effect of budget participation on managerial performance through procedural justice as a mediating variable shows a positive and significant result with a path coefficient value of 0.504 and a p-value <0.001. The results showed that the effect of budget participation on managerial performance decreased from 0.703 to 0.174 after the inclusion of the mediating variables of procedural and distributive justice. The p-value in both conditions remained significant at the 1% level (<0.001). The effect of budget participation on procedural and distributive justice was also significant (p <0.001), as was the effect of procedural and distributive justice on managerial performance, with coefficient values of 0.174 and 0.088, respectively, and p-values <0.001 and 0.005.

Based on the theory of Hair Jr et al. (2017), this condition indicates complementary partial mediation, which is a condition when the independent variable still has a direct influence on the dependent variable even through the mediating variable. In this case, budget participation can affect managerial performance directly or through procedural and distributive justice. Estimation of the mediation effect using WarpPLS version 5.0 produces a significant p-value for the indirect effect of budget participation on managerial performance through procedural and distributive justice (<0.001). Therefore, the second hypothesis (H2) which states that procedural justice mediates the effect of budget participation on managerial performance, as well as the third hypothesis (H3) which states that distributive justice is a mediator are accepted.

Furthermore, the results show the direct effect of budget participation on managerial performance before the inclusion of mediation variables shows a significant positive result with a path coefficient value of 0.703 and a p-value <0.001. The direct effect of budget participation on managerial performance after the inclusion of mediation variables shows a positive and significant result with a path coefficient value of 0.174 and a p-value <0.001. The effect of budget participation on interactional justice shows a positive and significant result with a path coefficient value of 0.775 and a p-value <0.001. The effect of interactional justice on managerial performance shows a positive and significant result with a coefficient value of 0.105 and a p-value of 0.001. The indirect effect of budget participation on managerial performance through interactional justice as a mediation variable shows a positive and significant result with a path coefficient value of 0.481 and a p-value <0.001.

From these results, it can be seen that the direct effect of budget participation on managerial performance before the inclusion of mediating variables and after the inclusion of mediating variables decreased, from 0.703 to 0.174 and the p-value which was initially significant at the 1% level (<0.001) remained significant at the 1% level (<0.001). The effect of budget participation on interactional justice showed significant results at the 1% level (<0.001). The effect of interactional justice on managerial performance was also significant at the 1% level (0.001). The test results showed that the indirect effect of budget participation on managerial performance through interactional justice as a mediating variable showed an insignificant p-value (<0.001). The significant p-value results indicate that interactional justice mediates the effect of budget participation on managerial performance. Thus, hypothesis 4 (H4) which states that interactional justice can mediate the effect of budget participation on managerial performance is accepted.

DISCUSSION

Hypothesis 1 states that there is a direct influence of budget participation on managerial performance. The results of statistical tests show that budget participation affects managerial performance, so H1 is accepted. The participation of top managers and lower-level managers in the budgeting process at SIER plays a major role in improving managerial performance. Through budget discussions, revisions, and supervision, a conducive working atmosphere is created, reducing information bias, and facilitating budget preparation and achieving company goals.

Equity theory explains that the existence of justice felt by subordinates fosters a sense of motivation to improve their performance through better planning, coordination, evaluation, and supervision efforts (Adams, 1963). Subordinate participation helps superiors to obtain good information, create useful decisions for the budget effectiveness and efficiency process (Lau & Tan, 2012). This effectiveness and efficiency make the company's management as a whole achieve increased managerial performance. The results of the study are in line with Govindarajan (1986); Kren (1992) and Lau & Tan (2012), who stated that the active involvement of top managers and lower-level managers in the budget preparation process is able to absorb greater information, this will minimize the information bias generated in the prepared budget. The minimal information bias makes it easier for top management to achieve the company's goals from the budget that has been set.

Furthermore, hypothesis 2 states that procedural justice mediates budget participation on managerial performance. The results of statistical tests show that procedural justice mediates budget participation on managerial performance, so that understanding budget procedures is important for subordinates to set budgets according to needs (Greenberg, 1986). This fosters coordination between superiors and subordinates, creates participation in budget preparation, and encourages management to be more active in achieving company goals and improving managerial performance.

Research shows that business unit managers at SEER have implemented budget procedures well, creating quality information and coordination that encourages a sense of fairness between managers. The emergence of a sense of fairness in managers is expected to have a perception of conformity between needs and expectations related to the size of the budget with the appropriateness of the allocated budget (Kohlmeyer et al., 2014). The suitability of the allocated budget results in an increase in managerial performance between managers.

Equity Theory states that a high sense of fairness fosters appreciation in subordinates, so that subordinates are more motivated to improve their performance (Adams, 1963). Managers are expected to be able to coordinate or cooperate between managers in the budget preparation process. This coordination can increase the sense of fairness in each manager, so that managers feel involved in the budget preparation process and will automatically improve their managerial performance in order to improve company performance. The results of the study are in line with research by Wentzel (2002); Maiga & Jacobs (2007) and Lau & Tan (2012), who concluded that increasing budget participation will foster a sense of procedural justice in managers, so that managers will be more motivated to improve their performance.

Hypothesis 3 states that distributive justice mediates budget participation on managerial performance. The results show that distributive justice mediates the effect of budget participation on managerial performance. A budget that is in accordance with needs increases the perception of justice, thus encouraging managers to be more careful in managing the budget for optimal performance.

Equity theory is a high sense of justice fosters appreciation in management, so that

management is more motivated to improve its performance (Adams, 1963). A budget that is prepared according to the needs and expectations of managers will make managers more accepting of the large budget allocated, where the budget that is prepared has met the perception of high distributive justice. An increase in the perception of distributive justice in managers will encourage managers to be more careful in managing the available budget through efforts to improve their managerial performance. The results of this study are in line with the research of Magner & Johnson (1995); Wentzel, (2002) and Kohlmeyer et al. (2014), who stated that increasing budget participation will foster a sense of distributive justice in managers, so that managers will be more motivated to improve their performance.

Hypothesis 4 states that interactional justice mediates the effect of budget participation on managerial performance. The results show that active communication between top managers and lower managers in budget preparation creates unbiased information, involves lower managers, and motivates improved managerial performance in SEER. Equity Theory explains that perceived justice due to the budget participation process can occur due to the active communication process of each manager to form the budget needed by each department (Adams, 1963). The active communication process in budget participation facilitates interaction between top and middle management to discuss and achieve budget goals, increase cooperation and facilitate improved managerial performance through better coordination and joint efforts in management. The results of this study are in line with studies conducted by Tyler and Bies (1990); Maiga (2006) and Dayan & Di Benedetto (2008), which revealed that active communication between top management and lower management provides unbiased information and cooperation between managers, thus creating a budget preparation process that can achieve company goals and improve managerial performance.

CONCLUSION

The results of this study indicate that budget participation has a positive effect on managerial performance. The participation or involvement of top managers with lower-level managers in the budgeting process is quite large, because of the role of top managers in revising the budget, supervising the budgeting process, and involving lower-level managers in discussions or submitting proposals about the budget, it will affect managerial performance. The results of this study indicate that procedural justice mediates budget participation on managerial performance. This shows that by understanding the procedures in the budgeting process, it creates coordination between subordinates and superiors so that participation is built in the budgeting process and has an impact on management in improving managerial performance.

The results of this study indicate that distributive justice mediates budget participation on managerial performance. This shows that the budget is prepared based on the needs and expectations of managers to accept more of the allocated budget, where the budget that is prepared has met the perception of distributive justice in managers to be more careful in the budgeting process and improve managerial performance. The results of this study indicate that interactional justice mediates budget participation on managerial performance. This shows that active communication between top management and lower management provides unbiased information and cooperation between managers, thus creating a budgeting process that can achieve company goals and improve managerial performance.

Based on the limitations of the study, the following are suggestions given to subsequent researchers. To obtain more comprehensive results, it is expected that subsequent research will be able to distribute questionnaires to companies in wider areas. Therefore, further research is

expected to be able to allocate several companies as research samples and build communication with these companies in order to create effectiveness and efficiency in the data collection process. To obtain more comprehensive results and provide a broader phenomenon regarding the mediation of budget fairness on the internal and external influences of the company on managerial performance, further research is expected to be able to conduct a direct interview process with each business unit manager to provide a description of the phenomenon related to budget participation and other variables used in this study.

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