

Integrating Procedural Justice and Budget Participation in Islamic Public Governance: Implications for Sharia-Based Managerial Performance

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ABSTRACT

The purpose of this study is to examine the effects of budget participation, budget procedural fairness, and organizational commitment on sharia-based managerial performance, with budgetary slack as a mediating variable. The research method employs a quantitative approach using Structural Equation Modeling–Partial Least Squares (SEM-PLS) based on survey data from public sector organizations. The results show that budget participation and budget procedural fairness have a positive and significant impact on sharia-based managerial performance, while organizational commitment has no direct effect. Budget procedural fairness and organizational commitment positively affect budgetary slack, and budgetary slack positively influences managerial performance, but does not mediate the relationships among variables. The theoretical and practical implications highlight the role of goal clarity and procedural justice in enhancing sharia-based performance, supporting Goal-Setting Theory and Path-Goal Theory. From a policy perspective, the findings underscore the importance of participatory and fair budgeting systems in Islamic public governance to promote accountability and public welfare. The novelty of this study lies in integrating behavioral organizational theories with sharia-based managerial performance, contributing to the advancement of Islamic economics and global public governance literature.

Keywords: budget participation, budget procedural fairness, budgetary slack, sharia-based managerial performance, islamic public governance.

INTRODUCTION

Budgeting is a central instrument in public sector management accounting, functioning not only as a financial planning and control mechanism but also as a governance tool that shapes managerial behavior and organizational performance. In recent decades, global public sector reforms have increasingly emphasized transparency, accountability, and procedural fairness in budgeting

practices as essential elements of good governance and public value creation.^{1,2,3} Within this context, participative budgeting and fair procedures are viewed as mechanisms that enhance managerial responsibility, ethical behavior, and performance outcomes.

In parallel with these global reforms, the discourse on Islamic public governance has gained increasing attention, particularly in countries and institutions that adopt sharia principles in public administration. Islamic public governance emphasizes values such as *amanah* (trustworthiness), *al-'adl* (justice), transparency, and accountability as moral foundations of managerial conduct and public resource management.⁴ Budgeting, therefore, is not merely a technical process but also a moral responsibility to ensure that public funds are managed ethically and aligned with Islamic values. In this framework, participative decision-making resembles *shura* (consultation), reinforcing collective responsibility and justice in public financial management.^{5,6}

From a behavioral perspective, Goal-Setting Theory explains that managerial performance improves when individuals participate in setting clear and challenging goals, fostering ownership and commitment.⁷ Meanwhile, Path-Goal Theory⁸ highlights the importance of fair and transparent procedures in clarifying performance paths and motivating managers. When applied to budgeting, these theories suggest that participation and procedural fairness should reduce dysfunctional behaviors and enhance performance. However, empirical evidence indicates that budgeting processes may also generate budgetary slack, particularly when managers intentionally overstate costs or

¹ E. Bracci et al., "Accounting for (Public) Value(s): Reconsidering Publicness in Accounting Research and Practice," *Accounting, Auditing & Accountability Journal* 34, no. 7 (2021): 1513-1526, <https://doi.org/10.1108/AAAJ-06-2021-5318>.

² Anastasia Cheliatsidou et al., "Exploring Attitudes towards Whistleblowing in Relation to Sustainable Municipalities," *Administrative Sciences* 13, no. 9 (2023), <https://doi.org/10.3390/admsci13090199>.

³ OECD, "OECD Economic Outlook," *OECD Publishing* 2023, no. 1 (2023), https://www.oecd.org/en/publications/oecd-economic-outlook/volume-2023/issue-1_ce188438-en.html.

⁴ Asma' Munifatussa'idah, "Sharia Compliance, Islamic Corporate Governance, Intellectual Capital, and Earning Management toward Financial Performance in Indonesia Islamic Banks," *Iqtishadia: Jurnal Kajian Ekonomi Dan Bisnis Islam* 14, no. 2 (2021): 251-79, <https://doi.org/10.21043/iqtishadia.v14i2.10152>.

⁵ Peter Brownell, "The Role of Accounting Data in Performance Evaluation, Budgetary Participation, and Organizational Effectiveness," *Journal of Accounting Research* 20, no. 1 (1982): 12-27.

⁶ Ken Milani, "The Relationship of Participation in Budget-Setting to Industrial Supervisor Performance and Attitudes: A Field Study," *Accounting Review* 50, no. 2 (1975): 274.

⁷ E.A Locke and G.P Latham, *A Theory of Goal Setting and Task Performance* (New Jersey: Prentice Hall, 1990).

⁸ Robert J House, "A Path Goal Theory of Leader Effectiveness Author(s): Robert J. House Source," *Administrative Science Quarterly* 16, no. 3 (1971): 321-39.

understate revenues to protect themselves from uncertainty or performance pressure.⁹

In the context of Islamic governance, budgetary slack represents not only a managerial inefficiency but also an ethical deviation from sharia values of honesty (*shiddiq*) and trust (*amanah*). Slack distorts information, weakens accountability, and undermines the moral legitimacy of public budgeting. While prior studies have shown that budget participation, procedural fairness, and organizational commitment influence managerial performance,^{10,11,12} findings regarding the role of budgetary slack remain inconsistent, particularly in public sector settings.^{13,14}

Importantly, most existing studies were conducted in private organizations or public institutions without explicitly integrating Islamic public governance principles into the budgeting–performance framework. Research that simultaneously examines budget participation, procedural fairness, organizational commitment, and budgetary slack within a sharia-based managerial performance model remains limited. Moreover, empirical validation of budgetary slack as a mediating mechanism in regional government contexts is still inconclusive, especially in developing public sector environments.

These gaps become more salient in regional government settings, such as local public organizations in Indonesia, where budgeting challenges persist. Empirical phenomena observed in Jember Regency, including recurring audit findings ranging from Qualified Opinions to Disclaimer of Opinion, budget deficits, high levels of unspent budget (SILPA), and gaps between planned and realized expenditures, indicate weaknesses in budgeting accountability and

⁹ K. A. Merchant and W. A. Van der Stede, *Management Control Systems: Performance Measurement, Evaluation and Incentives*, 4th ed. (Pearson, 2017).

¹⁰ C. L. Kewo, "Managerial Performance at Universitas Negeri Manado in Terms of Internal Control System Implementation and Organizational Commitment," *Society* 8, no. 2 (2020): 650–62, <https://doi.org/10.33019/society.v8i2.268>.

¹¹ Devia Galuh Palupi and Maria Mediatrix Ratna Sari, "Pengaruh Partisipasi Anggaran, Komitmen Organisasi, Gaya Kepemimpinan Transformasional, Asimetri Informasi Pada Budgetary Slack Hotel Berbintang," *E-Jurnal Akuntansi* 30, no. 9 (2020): 2323–2337, <https://doi.org/10.24843/EJA.2020.v30.i09.p12>.

¹² Imas Purnamasari and Fitri Rawati Suganda, "Pengaruh Komitmen Organisasi Dan Locus Of Control Terhadap Kinerja Aparatur Kecamatan Garut Kota," *Journal Of Knowledge Management* 15, no. 2 (2021), <https://doi.org/10.52434/jkm.v15i2.2135>.

¹³ Yana Firana and Ahmad Abbas, "Dimensi Keadilan Dalam Partisipasi Penyusunan Anggaran Dan Kinerja Manajerial Rumah Sakit," *Jesya (Jurnal Ekonomi Dan Ekonomi Syariah)* 3, no. 2 (2020): 99–110, <https://doi.org/10.36778/jesya.v3i2.150>.

¹⁴ Mirwansyah Putra Ritonga and Monang Juanda Tua Sihombing, "Pengaruh Partisipasi Anggaran Dan Gaya Kepemimpinan Terhadap Kinerja Manajerial Di OPD Dinas Lingkungan Hidup Provinsi Sumatera Utara," *Journal of Information Technology and Accounting* 5, no. 1 (2022): 16–19, <https://jurnal.uimedan.ac.id/index.php/JITA/article/download/748/579/>.

performance.^{15,16} These conditions suggest the presence of budgetary slack and highlight the need to examine budgeting behavior through a governance framework grounded in Islamic ethical values.

Based on these theoretical and empirical considerations, this study aims to analyze the effects of budget participation, budget procedural fairness, and organizational commitment on sharia-based managerial performance, while examining the mediating role of budgetary slack within regional government organizations. By integrating Goal-Setting Theory and Path-Goal Theory into an Islamic public governance framework, this research contributes to the global discourse on value-based public sector management and offers empirical evidence on how sharia principles can strengthen budgeting practices and managerial performance in the public sector. The novelty of this study lies in its comprehensive integration of budget participation, procedural justice, organizational commitment, and budgetary slack within the framework of sharia-based managerial performance, which has not been previously examined in regional government settings. The aim of this research is to analyze the effects of budget participation, procedural justice, and organizational commitment on sharia-based managerial performance and to examine the mediating role of budgetary slack within local government agencies.

Literature Review

Goal-Setting Theory¹⁷ provides a foundational explanation for how budget participation influences managerial behavior and performance. The theory posits that individuals are more motivated and committed when they are involved in setting their own performance goals, as participation creates clarity, ownership, and accountability. In the context of budgeting, participation allows managers to contribute to setting performance targets, thereby strengthening their sense of responsibility in achieving them. This mechanism aligns directly with the concept of organizational commitment, as managers who internalize organizational goals tend to display stronger affective and normative commitment. Within sharia-oriented institutions, this dynamic becomes even more significant because participative decision-making resembles shura (Islamic deliberation), reinforcing values of fairness, transparency, and amanah (trust), which are essential components of sharia-based managerial performance.

¹⁵ B. Supriyadi and R. Belarminus, "Hasil Audit BPK, Pemkab Jember Raih Laporan Keuangan Terburuk," kompas.com, 2020, https://regional.kompas.com/read/2020/06/30/13464711/hasil-audit-bpk-pemkab-jember-raih-laporan-keuangan-terburuk?page=all#google_vignette.

¹⁶ S. Wahyunik, "APBD Jember 2019 Defisit Rp 351 Miliar, Bupati Faida Masih Optimis Anggaran Bisa Dipakai Optimal," tribunjember.com, 2018, <https://jatim.tribunnews.com/2018/10/30/apbd-jember-2019-defisit-rp-351-miliar-bupati-faida-masih-optimis-anggaran-bisa-dipakai-optimal>.

¹⁷ Locke and Latham, *A Theory of Goal Setting and Task Performance*.

Meanwhile, Path-Goal Theory¹⁸ offers a behavioral leadership perspective that supports the influence of procedural justice on managerial commitment and performance. The theory states that leaders must clarify paths, remove obstacles, and ensure fairness in procedures to motivate subordinates effectively. Procedural justice—defined as the fairness of processes used in decision-making—corresponds directly with the leader's role in shaping a supportive performance path. When budgeting procedures are perceived as fair, transparent, and consistent, managers are more likely to trust leadership, internalize organizational values, and demonstrate higher organizational commitment, which ultimately leads to improved performance. This is particularly relevant in a sharia-based context, where justice (*al-'adl*) and ethical treatment are core principles of leadership and governance. Therefore, fair budgeting processes not only enhance compliance but also strengthen the moral and ethical dimensions of managerial performance grounded in Islamic principles.

Recent empirical studies reinforce the relevance of these theories.^{19,20} Found that budget participation significantly enhances managerial performance through justice perception and commitment within Islamic microfinance institutions, supporting Goal-Setting Theory's emphasis on involvement.²¹ showed that procedural justice improves managerial performance via organizational commitment in hospitals, providing evidence aligned with Path-Goal Theory.²² Demonstrated that both procedural and distributive justice play key roles in shaping managerial performance, though without integrating Islamic principles.²³ Confirmed the influence of participation and commitment on managerial outcomes in higher education institutions. Within local governments,²⁴ found that the positive effect of budget participation on performance diminishes when procedural fairness is low, strengthening the logic

¹⁸ House, "A Path Goal Theory of Leader Effectiveness Author(s): Robert J. House Source."

¹⁹ Kewo, "Managerial Performance at Universitas Negeri Manado in Terms of Internal Control System Implementation and Organizational Commitment."

²⁰ Selamet Eko Budi Santoso and Wage Wage, "Pengaruh Anggaran Partisipatif Terhadap Kinerja Pada Lembaga Keuangan Syariah Yang Di Mediasi Keadilan Persepsi dan Komitmen," *Islamadina: Jurnal Pemikiran Islam* 18, no. 2 (2017): 1-20, <https://doi.org/10.30595/islamadina.v18i2.1918>.

²¹ Hendrik Elisa Sutejo Samosir, Martin Luter Purba, and Hanna M. Damanik, "Pengaruh Partisipasi Penyusunan Anggaran Terhadap Kinerja Managerial Dengan Keadilan Distributif Anggaran Dan Keadilan Prosedural Anggaran Sebagai Variabel Intervening Pada Rumah Sakit Estomih Medan," *METHOSIKA: Jurnal Akuntansi Dan Keuangan Methodist* 4, no. 2 (2021): 113-20, <https://doi.org/10.46880/jsika.Vol4No2.pp113-120>.

²² Firana and Abbas, "Dimensi Keadilan Dalam Partisipasi Penyusunan Anggaran Dan Kinerja Manajerial Rumah Sakit."

²³ Nur Salma, "Pengaruh Partisipasi Penyusunan Anggaran, Komitmen Organisasi, Dan Motivasi Terhadap Kinerja Manajerial," *Mabsya: Jurnal Manajemen Bisnis Syariah* 2, no. 2 (2020): 15-26, <https://doi.org/10.24090/mabsya.v2i2.3773>.

²⁴ Ritonga and Sihombing, "Pengaruh Partisipasi Anggaran Dan Gaya Kepemimpinan Terhadap Kinerja Manajerial Di OPD Dinas Lingkungan Hidup Provinsi Sumatera Utara."

of Path-Goal Theory.²⁵ Highlighted how ethical leadership shapes budgeting behavior in the public sector, indirectly supporting sharia-based performance principles. Despite these contributions, no studies to date have combined budget participation, procedural justice, organizational commitment, and sharia-based managerial performance within one integrated framework. Consequently, this research fills an important theoretical and practical gap by applying Goal-Setting Theory and Path-Goal Theory to explain how participation and procedural fairness work together to shape organizational commitment and sharia-aligned managerial performance in regional government organizations.

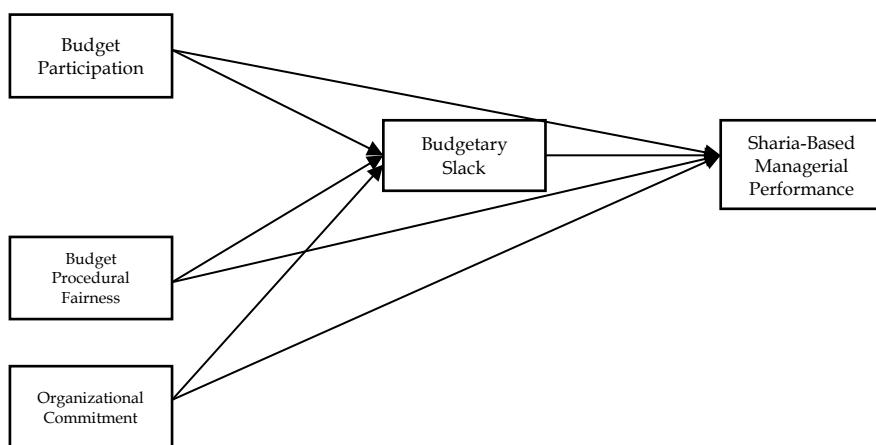


Figure 1. Conceptual Framework

Budget Participation Contribution to Budgetary Slack

According to Goal-Setting Theory²⁶, individuals who participate in setting performance targets develop a stronger sense of ownership, clarity, and accountability. In budgeting contexts, budget participation allows managers to be actively involved in determining budget targets, which theoretically reduces the motivation to create *budgetary slack* because clear and internalized goals decrease the tendency to distort information. This logic is reinforced by Path-Goal Theory,²⁷ which posits that leaders who establish transparent and supportive budgeting processes reduce uncertainty and motivational barriers, thereby minimizing dysfunctional budgeting behaviors such as slack. Empirical research over the past decade supports this theoretical pathway:^{28,29} Found that participative budgeting decreases slack through enhanced fairness perceptions,

²⁵ K. Sinen, "Partisipasi Penganggaran Terhadap Kinerja Manajerial Dengan Keadilan Prosedural Dan Goal Commitment Sebagai Variabel Moderasi," *Bongaya Journal of Research in Accounting (BJRA)* 3, no. 2 (2020): 122-130, <https://doi.org/10.37888/bjra.v3i2.233>.

²⁶ Locke and Latham, *A Theory of Goal Setting and Task Performance*.

²⁷ House, "A Path Goal Theory of Leader Effectiveness Author(s): Robert J. House Source."

²⁸ Kewo, "Managerial Performance at Universitas Negeri Manado in Terms of Internal Control System Implementation and Organizational Commitment."

²⁹ Santoso and Wage, "Pengaruh Anggaran Partisipatif Terhadap Kinerja Pada Lembaga Keuangan Syariah Yang Di Mediasi Keadilan Persepsi Dan Komitmen."

while^{30,31} reported that participation reduces slack when procedural fairness and commitment are strong. However, studies by Samosir³² indicate that slack may persist when procedural fairness is weak, even in participatory settings. Taken together, theory and prior findings suggest that budget participation is expected to reduce the tendency of managers to create budgetary slack.

H1: Budget participation contributes to Budgetary Slack

Budgetary Slack Contribution to Sharia-Based Managerial Performance

From the perspective of Goal-Setting Theory,³³ managerial performance increases when goals are clear, specific, and aligned with actual capabilities. However, budgetary slack distorts goal clarity by allowing managers to deliberately underestimate revenue or overestimate costs, resulting in goals that do not reflect true performance potential. This misalignment weakens motivation and reduces the level of effort exerted by managers, ultimately harming performance. Likewise, Path-Goal Theory³⁴ emphasizes that leaders must provide accurate, transparent, and supportive guidance to achieve optimal performance. When slack is present in the budgeting process, the “path” toward performance becomes unclear, unfair, and inefficient, contradicting the leadership conditions needed to enhance managerial outcomes. In sharia-based managerial contexts, slack represents not only a behavioral distortion but also an ethical deviation from *amanah* and *shiddiq* (honesty), further reducing performance quality from both managerial and moral standpoints.

Empirical studies support this theoretical expectation. Research by^{35,36} showed that the presence of budgetary slack weakens the positive effect of participative budgeting on performance.³⁷ found that slack reduces managerial responsibility and decision accuracy.³⁸ Reported that slack contributes to inefficiency in local government performance, while³⁹ confirmed that low

³⁰ Firana and Abbas, “Dimensi Keadilan Dalam Partisipasi Penyusunan Anggaran Dan Kinerja Manajerial Rumah Sakit.”

³¹ Ritonga and Sihombing, “Pengaruh Partisipasi Anggaran Dan Gaya Kepemimpinan Terhadap Kinerja Manajerial Di OPD Dinas Lingkungan Hidup Provinsi Sumatera Utara.”

³² Samosir, Purba, and Damanik, “Pengaruh Partisipasi Penyusunan Anggaran Terhadap Kinerja Managerial Dengan Keadilan Distributif Anggaran Dan Keadilan Prosedural Anggaran Sebagai Variabel Intervening Pada Rumah Sakit Estomih Medan.”

³³ Locke and Latham, *A Theory of Goal Setting and Task Performance*.

³⁴ House, “A Path Goal Theory of Leader Effectiveness Author(s): Robert J. House Source.”

³⁵ Kewo, “Managerial Performance at Universitas Negeri Manado in Terms of Internal Control System Implementation and Organizational Commitment.”

³⁶ Santoso and Wage, “Pengaruh Anggaran Partisipatif Terhadap Kinerja Pada Lembaga Keuangan Syariah Yang Di Mediasi Keadilan Persepsi dan Komitmen.”

³⁷ Firana and Abbas, “Dimensi Keadilan dalam Partisipasi Penyusunan Anggaran Dan Kinerja Manajerial Rumah Sakit.”

³⁸ Ritonga and Sihombing, “Pengaruh Partisipasi Anggaran dan Gaya Kepemimpinan Terhadap Kinerja Manajerial di OPD Dinas Lingkungan Hidup Provinsi Sumatera Utara.”

³⁹ Samosir, Purba, and Damanik, “Pengaruh Partisipasi Penyusunan Anggaran Terhadap Kinerja Managerial Dengan Keadilan Distributif Anggaran Dan Keadilan Prosedural Anggaran Sebagai Variabel Intervening Pada Rumah Sakit Estomih Medan.”

integrity in the budgeting process hinders managerial effectiveness. Collectively, these findings align with both theories by demonstrating that when budgetary slack exists, Sharia-Based Managerial Performance tends to decline due to weakened motivation, inaccurate performance paths, and ethical misalignment.

H2: Budgetary Slack contributes to Sharia-Based Managerial Performance

Contribution of Budget Participation to Sharia-Based Managerial Performance through Budgetary Slack

According to Goal-Setting Theory⁴⁰, involving managers in the budgeting process increases goal clarity, ownership, and intrinsic motivation, which ultimately enhances managerial performance. However, this positive effect can only occur when the budget reflects realistic targets. Budgetary slack disrupts this mechanism because when managers intentionally create slack, performance targets become easier to achieve and no longer represent true capability, reducing the motivational value of goal-setting. From the standpoint of Path-Goal Theory⁴¹, leaders enhance performance by ensuring transparent, fair, and supportive budgeting procedures. When participative budgeting is implemented effectively, the budgeting “path” becomes clearer, reducing tendencies to create slack and, in turn, strengthening the positive impact of participation on managerial outcomes. In sharia-based managerial environments, low slack is also aligned with Islamic values of *amanah* (trustworthiness) and *sidq* (honesty), further reinforcing the relationship between participative budgeting and performance.

Recent research supports this pathway.^{42,43} Found that participative budgeting improves performance when justice perceptions eliminate slack.⁴⁴ demonstrated that slack weakens the positive effect of budget participation on performance in local government settings.⁴⁵ confirmed that reduced slack increases the accuracy of managerial decisions, leading to higher performance. These findings indicate that budgetary slack acts as a mediating variable, explaining how participation influences managerial behavior. Thus, the contribution of budget participation to Sharia-Based Managerial Performance is not only direct but operates significantly through its ability to minimize budgetary slack, especially in organizations guided by sharia-based ethical principles.

H3: Budgeting participation contributes to Sharia-Based Managerial Performance through Budgetary Slack

⁴⁰ Locke and Latham, *A Theory of Goal Setting and Task Performance*.

⁴¹ House, “A Path Goal Theory of Leader Effectiveness Author(s): Robert J. House Source.”

⁴² Kewo, “Managerial Performance at Universitas Negeri Manado in Terms of Internal Control System Implementation and Organizational Commitment.”

⁴³ Santoso and Wage, “Pengaruh Anggaran Partisipatif Terhadap Kinerja Pada Lembaga Keuangan Syariah Yang Di Mediasi Keadilan Persepsi dan Komitmen.”

⁴⁴ Ritonga and Sihombing, “Pengaruh Partisipasi Anggaran Dan Gaya Kepemimpinan Terhadap Kinerja Manajerial Di OPD Dinas Lingkungan Hidup Provinsi Sumatera Utara.”

⁴⁵ Firana and Abbas, “Dimensi Keadilan Dalam Partisipasi Penyusunan Anggaran Dan Kinerja Manajerial Rumah Sakit.”

Procedural Budget Contribution to Budgetary Slack

Based on Path-Goal Theory,⁴⁶ leaders are responsible for creating fair, transparent, and supportive procedures that help subordinates navigate their work effectively. In budgeting, procedural justice ensures that managers perceive the budget-setting process as fair, consistent, and unbiased. When procedures are perceived as just, managers feel respected and trusted, reducing their incentives to manipulate information or create budgetary slack. From the perspective of Goal-Setting Theory,⁴⁷ fair procedures enhance the legitimacy and acceptance of performance goals. When managers believe that budget targets are determined through equitable processes, they are more likely to embrace realistic goals rather than distort them through slack creation. In sharia-based managerial environments, procedural fairness aligns with Islamic values of *al-'adl* (justice) and *amanah* (trust), making slack behavior not only a managerial deviation but also an ethical violation—thus further reducing the likelihood of slack.

Empirical findings reinforce this theoretical expectation.⁴⁸ Demonstrated that procedural justice reduces dysfunctional budgeting behaviors in hospital management.⁴⁹ Found that fairness dimensions significantly reduce budgetary slack by increasing managerial acceptance of budget targets.⁵⁰ Also reported that when procedural justice is low, slack creation increases despite participative budgeting. These studies consistently show that higher procedural justice leads to lower budgetary slack, especially in public sector organizations where transparency and fairness are crucial. Therefore, integrating theory and empirical findings suggests that procedural justice plays a critical role in minimizing budgetary slack, including within sharia-based public institutions.

H4: Budget Procedural Fairness contributes negatively to Budgetary Slack

Contribution of Budget Procedural Fairness to Sharia-Based Managerial Performance through Budgetary Slack

According to Path-Goal Theory,⁵¹ leaders enhance subordinates' performance by providing fair, transparent, and supportive procedures that remove obstacles and create clarity in achieving organizational goals. In the budgeting context, procedural fairness ensures that managers perceive the budgeting process as legitimate, unbiased, and consistent, which reduces frustration, increases acceptance of budget targets, and discourages dysfunctional behaviors such as the creation of budgetary slack. From the

⁴⁶ House, "A Path Goal Theory of Leader Effectiveness Author(s): Robert J. House Source."

⁴⁷ Locke and Latham, *A Theory of Goal Setting and Task Performance*.

⁴⁸ Samosir, Purba, and Damanik, "Pengaruh Partisipasi Penyusunan Anggaran Terhadap Kinerja Managerial Dengan Keadilan Distributif Anggaran Dan Keadilan Prosedural Anggaran Sebagai Variabel Intervening Pada Rumah Sakit Estomih Medan."

⁴⁹ Firana and Abbas, "Dimensi Keadilan Dalam Partisipasi Penyusunan Anggaran Dan Kinerja Manajerial Rumah Sakit."

⁵⁰ Ritonga and Sihombing, "Pengaruh Partisipasi Anggaran Dan Gaya Kepemimpinan Terhadap Kinerja Manajerial Di OPD Dinas Lingkungan Hidup Provinsi Sumatera Utara."

⁵¹ House, "A Path Goal Theory of Leader Effectiveness Author(s): Robert J. House Source."

perspective of Goal-Setting Theory,⁵² when managers consider budget targets to be generated through fair procedures, they are more likely to internalize those goals and commit to achieving them. Budgetary slack disrupts this process by creating artificially easy or inaccurate targets, weakening the motivational function of goals and reducing managerial performance. Therefore, procedural fairness contributes positively to performance by minimizing slack and preserving the motivational integrity of the goal-setting function.

Empirical evidence supports this theoretical pathway.⁵³ found that procedural justice reduces slack-related behaviors and strengthens managerial commitment.⁵⁴ reported that dimensions of fairness—particularly procedural fairness—significantly reduce slack and enhance the accuracy of managerial decision-making.⁵⁵ demonstrated that slack weakens the positive effects of budgeting practices on managerial performance, suggesting a mediating mechanism.^{56,57} Also confirmed that fair budgeting practices promote ethical budgeting behavior and reduce slack in Islamic financial institutions. Collectively, these studies indicate that budgetary slack acts as a mediating variable through which procedural fairness affects managerial performance, especially in sharia-based organizations where justice (*al-'adl*) and integrity (*amanah*) are moral imperatives embedded in public sector accountability. Thus, integrating theory and empirical findings suggests that procedural fairness contributes to better Sharia-Based Managerial Performance primarily by reducing the tendency to create slack.

H5: Budget Procedural Fairness contributes to Sharia-Based Managerial Performance through Budgetary Slack.

Contribution of Organizational Commitment to Budgetary Slack

According to Goal-Setting Theory,⁵⁸ organizational commitment plays a central role in shaping an individual's willingness to pursue challenging and meaningful goals. Managers with strong organizational commitment tend to internalize organizational objectives and view budget targets as shared responsibilities, reducing their motivation to intentionally distort information or create budgetary slack. When commitment is high, managers are more oriented toward achieving accurate, realistic, and ethically aligned performance goals,

⁵² Locke and Latham, *A Theory of Goal Setting and Task Performance*.

⁵³ Samosir, Purba, and Damanik, "Pengaruh Partisipasi Penyusunan Anggaran Terhadap Kinerja Managerial Dengan Keadilan Distributif Anggaran Dan Keadilan Prosedural Anggaran Sebagai Variabel Intervening Pada Rumah Sakit Estomih Medan."

⁵⁴ Firana and Abbas, "Dimensi Keadilan Dalam Partisipasi Penyusunan Anggaran Dan Kinerja Manajerial Rumah Sakit."

⁵⁵ Ritonga and Sihombing, "Pengaruh Partisipasi Anggaran Dan Gaya Kepemimpinan Terhadap Kinerja Manajerial Di OPD Dinas Lingkungan Hidup Provinsi Sumatera Utara."

⁵⁶ Kewo, "Managerial Performance at Universitas Negeri Manado in Terms of Internal Control System Implementation and Organizational Commitment."

⁵⁷ Santoso and Wage, "Pengaruh Anggaran Partisipatif Terhadap Kinerja Pada Lembaga Keuangan Syariah Yang Di Mediasi Keadilan Persepsi Dan Komitmen."

⁵⁸ Locke and Latham, *A Theory of Goal Setting and Task Performance*.

which minimizes the likelihood of slack behavior. From the perspective of Path-Goal Theory,⁵⁹ committed individuals respond more positively to leadership direction and organizational procedures, making them less inclined to engage in dysfunctional budgeting practices. High commitment strengthens compliance, enhances moral responsibility, and increases dedication to performance paths set by the organization – factors that collectively reduce slack creation.

Empirical studies support this theoretical reasoning.^{60,61} found that organizational commitment plays a significant role in suppressing slack in Islamic microfinance institutions by strengthening ethical budgeting behavior.⁶² demonstrated that higher commitment reduces negative budgeting practices, including slack, due to stronger loyalty and moral obligation.⁶³ reported that commitment enhances managerial discipline and reduces tendencies to manipulate budget targets. Similarly,⁶⁴ highlighted that managers with higher commitment levels show lower slack behavior in local government budgeting. In sharia-based managerial contexts, organizational commitment is further reinforced by Islamic values such as *amanah* (trustworthiness) and *istiqamah* (consistency in moral behavior), making slack behavior inconsistent with both managerial ethics and religious principles. Collectively, theory and empirical findings suggest that organizational commitment significantly reduces the tendency to create budgetary slack.

H6: Organizational Commitment Contributes to Budgetary Slack.

Contribution of Organizational Commitment to Sharia-Based Managerial Performance through Budgetary Slack

From the perspective of Goal-Setting Theory,⁶⁵ organizational commitment strengthens managers' motivation to pursue challenging and meaningful goals by internalizing organizational values and responsibilities. When managers possess strong commitment, they are more likely to accept realistic budget targets and strive for high-quality performance. However, this motivational pathway becomes disrupted when budgetary slack is created, as slack weakens the clarity and difficulty of goals, leading to reduced effort and diminished managerial performance. Thus, organizational commitment is

⁵⁹ House, "A Path Goal Theory of Leader Effectiveness Author(s): Robert J. House Source."

⁶⁰ Kewo, "Managerial Performance at Universitas Negeri Manado in Terms of Internal Control System Implementation and Organizational Commitment."

⁶¹ Santoso and Wage, "Pengaruh Anggaran Partisipatif Terhadap Kinerja Pada Lembaga Keuangan Syariah Yang Di Mediasi Keadilan Persepsi dan Komitmen."

⁶² Samosir, Purba, and Damanik, "Pengaruh Partisipasi Penyusunan Anggaran Terhadap Kinerja Managerial Dengan Keadilan Distributif Anggaran Dan Keadilan Prosedural Anggaran Sebagai Variabel Intervening Pada Rumah Sakit Estomih Medan."

⁶³ Firana and Abbas, "Dimensi Keadilan Dalam Partisipasi Penyusunan Anggaran Dan Kinerja Manajerial Rumah Sakit."

⁶⁴ Ritonga and Sihombing, "Pengaruh Partisipasi Anggaran Dan Gaya Kepemimpinan Terhadap Kinerja Manajerial Di OPD Dinas Lingkungan Hidup Provinsi Sumatera Utara."

⁶⁵ Locke and Latham, *A Theory of Goal Setting and Task Performance*.

expected to enhance performance more effectively when slack is minimized, because accurate and challenging goals retain their motivational force.

Path-Goal Theory⁶⁶ further explains that committed managers respond positively to leadership direction and formal procedures, aligning their behavior with organizational expectations. High commitment increases adherence to ethical budgeting practices and reduces the likelihood of slack creation. When slack decreases, the performance path becomes clearer and more consistent, enabling managers to achieve superior outcomes. In sharia-based managerial environments, organizational commitment also carries moral weight, embodying values such as *amanah* (trustworthiness), *istiqamah* (consistency), and integrity, making slack behavior not only dysfunctional but also ethically inappropriate. Therefore, organizational commitment is theorized to influence managerial performance both directly and indirectly through its role in reducing budgetary slack.

Empirical findings support this mediated relationship.^{67,68} Demonstrated that high organizational commitment suppresses slack and strengthens performance in Islamic financial institutions.⁶⁹ Showed that committed managers display fewer dysfunctional budgeting behaviors and achieve better performance outcomes.⁷⁰ Confirmed that organizational commitment enhances decision accuracy and reduces slack, indirectly improving managerial results.⁷¹ Also found that slack weakens the positive effect of internal factors on Sharia-Based Managerial Performance in local government settings. Collectively, these studies validate the theoretical expectation that budgetary slack serves as a mediating mechanism linking organizational commitment to Sharia-Based Managerial Performance.

H7: Budgetary slack mediates the effect of organizational commitment on Sharia-Based Managerial Performance.

METHODS

This study employs a quantitative explanatory research design to examine causal relationships among budget participation, budget procedural fairness, organizational commitment, budgetary slack, and sharia-based managerial performance. An explanatory approach is appropriate because the study aims to

⁶⁶ House, "A Path Goal Theory of Leader Effectiveness Author(s): Robert J. House Source."

⁶⁷ Kewo, "Managerial Performance at Universitas Negeri Manado in Terms of Internal Control System Implementation and Organizational Commitment."

⁶⁸ Santoso and Wage, "Pengaruh Anggaran Partisipatif Terhadap Kinerja Pada Lembaga Keuangan Syariah Yang Di Mediasi Keadilan Persepsi dan Komitmen."

⁶⁹ Samosir, Purba, and Damanik, "Pengaruh Partisipasi Penyusunan Anggaran Terhadap Kinerja Managerial Dengan Keadilan Distributif Anggaran Dan Keadilan Prosedural Anggaran Sebagai Variabel Intervening Pada Rumah Sakit Estomih Medan."

⁷⁰ Firana and Abbas, "Dimensi Keadilan Dalam Partisipasi Penyusunan Anggaran Dan Kinerja Manajerial Rumah Sakit."

⁷¹ Ritonga and Sihombing, "Pengaruh Partisipasi Anggaran Dan Gaya Kepemimpinan Terhadap Kinerja Manajerial Di OPD Dinas Lingkungan Hidup Provinsi Sumatera Utara."

test both direct and indirect (mediating) effects within a theoretically grounded structural model.⁷² Data were collected using a structured survey, which is suitable for capturing perceptions of budgeting behavior and governance practices across organizational units within the public sector.

Structural Equation Modeling-Partial Least Squares (SEM-PLS) was employed as the primary analytical technique. SEM-PLS is particularly appropriate for this study due to the complexity of the research model, which includes multiple endogenous variables and mediating relationships, as well as the exploratory nature of integrating sharia-based governance constructs into budgeting research. Moreover, PLS-SEM does not require multivariate normality and is suitable for relatively small sample sizes, making it appropriate for public sector survey data.^{73,74}

The population of this study consists of structural officials and budget management personnel within Regional Government Organizations (*Organisasi Perangkat Daerah / OPD*) in Jember Regency. These individuals are directly involved in the preparation, implementation, and evaluation of organizational budgets, making them the most relevant respondents for examining budgeting behavior and managerial performance within a public sector governance framework.

A purposive sampling technique was employed to ensure that respondents possessed adequate knowledge and direct experience with budgeting processes. Purposive sampling is widely used in public sector accounting research when the research focus requires respondents with specific roles and responsibilities that are not held by all organizational members.⁷⁵ In this study, the sampling criteria included: (1) officials directly involved in budget formulation and execution, (2) having at least one year of experience in budgeting activities, and (3) occupying structural or functional positions with decision-making authority related to budget management.

This approach is particularly relevant in the context of Islamic public governance, where accountability (*amanah*) and ethical responsibility are embedded in specific managerial roles rather than uniformly distributed across all employees. Therefore, purposive sampling enhances the validity of responses by ensuring that the data reflect informed perceptions of budgeting practices and governance mechanisms.

The final sample consisted of 102 valid responses, representing a response rate of 49.03 percent. The adequacy of this sample size was assessed using established PLS-SEM guidelines. According to the 10-times rule, the minimum

⁷² John W. Creswell and J. David Creswell, *Research Design: Qualitative, Quantitative, and A Mixed-Method Approach*, SAGE Publication, 2023, <https://doi.org/10.4324/9780429469237-3>.

⁷³ Imam Ghazali and Karlina Aprilia Kusumadewi, *Partial Least Square Konsep, Teknik Dan Aplikasi Menggunakan Program SmartPLS 4.0 Untuk Penelitian Empiris*, Ed. 1 (Universitas Diponegoro, 2023).

⁷⁴ J.F. Hair et al., "When to Use and How to Report the Results of PLS-SEM," *European Business Review* 31, no. 1 (2019): 2-24, <https://doi.org/10.1108/EBR-11-2018-0203>.

⁷⁵ Creswell, *Research Design: Qualitative...*

sample size should be at least ten times the maximum number of structural paths directed at any endogenous construct in the model.⁷⁶ In this study, the most complex endogenous construct receives fewer than ten direct paths, indicating that a sample size of 102 exceeds the minimum requirement. Therefore, the sample size is considered sufficient to produce stable and reliable estimates in SEM-PLS analysis.

All constructs in this study were measured using reflective indicators adapted from well-established instruments in management accounting and organizational behavior research, ensuring content validity and theoretical consistency. The Budget Participation variable is measured using indicators developed by Milani⁷⁷ and expanded by Brownell⁷⁸, which assess the extent of managerial involvement in budget formulation, contribution to target setting, and influence over budget decisions.

Budget Procedural Fairness adopts⁷⁹ fairness rules, consistency, accuracy, ethicality, bias suppression, and representativeness to evaluate perceived fairness in budgeting procedures. Organizational Commitment is assessed using the three dimensions proposed by Meyer⁸⁰: Affective, normative, and continuance commitment. Budgetary Slack is measured using indicators from Merchant,⁸¹ which capture tendencies to overstate costs or understate revenues in budget proposals. Sharia-Based Managerial Performance adapts the classic managerial performance scale by Mahoney⁸² combined with Islamic managerial ethics such as *amanah* (trust), *al-'adl* (justice), transparency, and accountability, following the frameworks of Munifatussa'idah.⁸³

Data were analyzed using Partial Least Squares-Structural Equation Modeling (PLS-SEM), which is suitable for complex causal models involving multiple dependent relationships, mediating variables, and reflective constructs. PLS-SEM does not require normal data distribution and is appropriate for

⁷⁶ J.F. Hair et al., "An Introduction to Structural Equation Modeling. In: Partial Least Squares Structural Equation Modeling (PLS-SEM) Using R," in *Classroom Companion: Business* (Cham, Switzerland: Springer, Cham, 2021), https://doi.org/10.1007/978-3-030-80519-7_1.

⁷⁷ Milani, "The Relationship of Participation in Budget-Setting to Industrial Supervisor Performance and Attitudes: A Field Study."

⁷⁸ Brownell, "The Role of Accounting Data in Performance Evaluation, Budgetary Participation, and Organizational Effectiveness."

⁷⁹ G. S Leventhal, "Beyond Fairness: A Theory of Allocation Preferences," *Justice and Social Interaction* 3, no. 1 (1980): 167.

⁸⁰ J. P. Meyer and N. J. Allen, "A Three-Component Conceptualization of Organizational Commitment," *Human Resource Management Review* 1, no. 1 (1991): 61-89, [https://doi.org/10.1016/1053-4822\(91\)90011-Z](https://doi.org/10.1016/1053-4822(91)90011-Z).

⁸¹ Merchant and Van der Stede, *Management Control Systems: Performance Measurement, Evaluation and Incentives*.

⁸² T. A. Mahoney, T. H. Jerdee, and S. J. Carroll, *Development of Managerial Performance: A Research Approach* (South Western Publishing Co., 1963).

⁸³ Munifatussa'idah, "Sharia Compliance, Islamic Corporate Governance, Intellectual Capital, and Earning Management toward Financial Performance in Indonesia Islamic Banks."

relatively small sample sizes.^{84,85} The analysis includes evaluation of the outer model, inner model, and examination of direct and indirect effects to test the mediating role of budgetary slack. Data processing was performed using SmartPLS software.

RESULT AND DISCUSSION

Result

Based on the sampling criteria using the Purposive Sampling method, the research objects were Type A, Type B, and Agency Services. The questionnaire return rate can be seen in the following table:

Table 1. Questionnaire Return Rate

No	Basis Clarification	Amount
1	Number of Questionnaires sent	208
2	Type A Services	80
3	Type B Services	16
4	Type A Agencies Participating	8
5	Number of Questionnaires analyzed	102
<i>Usable Response Rate</i>		49,03%

Source: Processed Data, 2024

Table 1 shows that the number of questionnaires distributed and sent was 208, type A agencies that participated in returning questionnaires were 80, type B agencies were 16, and type A agencies were 8, so the total number of returned questionnaires was 102 or 49.03. % of the number of questionnaires sent.

**Table 2. Combined Loadings Value and Cross-loading
after removing invalid indicators**

Indikator	PA	KM	BP	KO	BS	Type (as defined)	SE	P- Value
PA1	0.774	-0.103	0.024	0.037	-0.051	Reflective	0.08	<0.001
PA2	0.787	-0.037	0.056	-0.089	0.081	Reflective	0.08	<0.001
PA3	0.565	-0.068	-0.233	0.325	-0.39	Reflective	0.085	<0.001
PA4	0.646	0.164	0.17	-0.351	0.477	Reflective	0.083	<0.001
PA5	0.479	0.085	-0.084	0.177	-0.234	Reflective	0.087	<0.001
KM2	0.58	0.299	-0.206	0.23	-0.089	Reflective	0.091	<0.001
KM3	-0.099	0.646	-0.026	-0.232	0.246	Reflective	0.083	<0.001
KM4	0.088	0.72	0.284	0.043	-0.093	Reflective	0.082	<0.001
KM5	0.071	0.719	-0.017	0.111	-0.156	Reflective	0.082	<0.001
KM6	-0.393	0.557	-0.213	0.281	-0.324	Reflective	0.085	<0.001
KM7	-0.01	0.592	0.008	-0.315	0.384	Reflective	0.084	<0.001
BP5	0.261	-0.016	0.623	-0.025	0.027	Reflective	0.084	<0.001

⁸⁴ Ghazali and Kusumadewi, *Partial Least Square Konsep, Teknik Dan Aplikasi Menggunakan Program SmartPLS 4.0 Untuk Penelitian Empiris*.

⁸⁵ Hair et al., "An Introduction to Structural Equation Modeling. In: Partial Least Squares Structural Equation Modeling (PLS-SEM) Using R."

BP6	-0.256	0.071	0.441	-0.042	0.1	Reflective	0.088	<0.001
BP7	-0.015	0.197	0.793	0.01	-0.156	Reflective	0.08	<0.001
BP8	-0.162	-0.036	0.726	-0.201	0.301	Reflective	0.081	<0.001
BP9	0.131	-0.222	0.433	0.053	0.108	Reflective	0.088	<0.001
BP10	0.035	-0.087	0.639	0.233	-0.317	Reflective	0.083	<0.001
KO5	0.236	-0.113	0.002	0.364	-0.48	Reflective	0.09	<0.001
KO6	-0.04	-0.045	0.255	0.665	-0.254	Reflective	0.083	<0.001
KO7	-0.111	0.048	-0.14	0.782	0.086	Reflective	0.08	<0.001
KO8	0.014	0.033	-0.148	0.749	0.247	Reflective	0.081	<0.001
KO9	0.021	0.011	0.063	0.806	0.114	Reflective	0.08	<0.001
BS1	0.088	-0.378	0.136	0.232	0.465	Reflective	0.087	<0.001
BS2	0.116	-0.142	0.027	-0.097	0.522	Reflective	0.086	<0.001
BS3	-0.006	0.002	-0.226	0.227	0.602	Reflective	0.084	<0.001
BS4	-0.017	-0.145	-0.016	-0.144	0.446	Reflective	0.088	<0.001
BS5	-0.215	0.266	0.052	-0.416	0.485	Reflective	0.087	<0.001
BS6	0.023	0.313	0.068	0.122	0.59	Reflective	0.084	<0.001

Source: Processed Data, 2024

The results of the combined loadings and cross-loading analysis indicate that, after removing invalid indicators, all remaining indicators load more strongly on their respective constructs than on other constructs, confirming adequate discriminant validity. Several indicators exhibit loading values above 0.70, while indicators with loading values between 0.40 and 0.70 are retained as they contribute to improving the Average Variance Extracted (AVE) and composite reliability, in line with PLS-SEM recommendations.

Substantively, these findings suggest that the measurement instruments are capable of capturing distinct dimensions of budget participation, budget procedural fairness, organizational commitment, budgetary slack, and sharia-based managerial performance within the public sector context. The validity of these constructs indicates that both technical budgeting behavior and ethical-accountability dimensions can be empirically distinguished. From an Islamic public accountability perspective, this supports the notion that principles such as *amanah* (trustworthiness), *al-'adl* (justice), and transparency are not merely normative concepts but can be operationalized and measured in public sector governance research.

Table 3. Average Variance Extracted (AVE)

Indicator	PA	KM	BP	KO	BS
PA	0.661	0.295	0.013	-0.003	0.004
KM	0.295	0.606	0.197	0.113	0.195
BP	0.013	0.197	0.624	0.004	0.006
KO	-0.003	0.113	0.004	0.692	0.566

BS	0.004	0.195	0.006	0.566	0.522
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Source: Processed Data, 2024

In addition to factor loadings and cross-loading criteria, convergent validity is assessed using the Average Variance Extracted (AVE) values. As shown in Table 3, all constructs exhibit AVE values greater than the recommended threshold of 0.50, indicating adequate convergent validity. This confirms that the indicators sufficiently explain the variance of their respective latent constructs.

Substantively, these results indicate that the constructs of budget participation, organizational commitment, budget procedural fairness, budgetary slack, and sharia-based managerial performance are well-defined and empirically distinguishable within the public sector context. The adequate AVE values further suggest that governance-related behaviors and ethical accountability dimensions are consistently captured by the measurement instruments. From an Islamic public accountability perspective, this finding supports the empirical measurability of ethical principles such as *amanah* (trustworthiness) and *al-'adl* (justice) as integral components of managerial performance in public sector governance.

After establishing indicator validity, construct reliability was assessed using composite reliability and Cronbach's alpha coefficients. As presented in Table 4, most constructs exhibit composite reliability values exceeding the recommended threshold of 0.70, indicating satisfactory internal consistency. Although the composite reliability and Cronbach's alpha values for the budgetary slack (BS) construct are slightly below 0.70, these values remain within an acceptable range for exploratory research and are considered indicative of moderate reliability.

Table 4. Composite Reability Value and Cronbach Alpha

	PA	KM	BP	KO	BS
Cronbach's alpha coefficients	0.665	0.636	0.67	0.71	0.462
Composite reliability coefficients	0.79	0.767	0.785	0.813	0.689
Full collinearity VIFs	1.102	1.193	1.044	1.47	1.513

Source: Processed Data, 2024

Substantively, this result suggests that the constructs consistently capture respondents' perceptions of budgeting behavior, governance practices, and managerial performance in the public sector. The acceptable reliability of the sharia-based managerial performance and budgetary slack constructs indicates that ethical accountability and behavioral dimensions can be measured consistently, even within complex public sector settings. From an Islamic public accountability perspective, this supports the view that accountability-oriented

performance is not only conceptually relevant but also empirically reliable in Islamic public governance research.

In addition, the full collinearity variance inflation factor (VIF) values for all constructs are below the threshold of 3.3, indicating that the model is free from multicollinearity issues. This confirms that each construct contributes uniquely to explaining budgeting behavior and managerial performance without redundancy.

Structural Model (Inner Model)

Table 5. Model Fit And Quality Indices

Model Fit and Quality Indices	Indeks	P Value	Criteria	Information
Average path coefficient (APC)	0.241	0.003	$p < 0,05$	Accepted
Average R-squared (ARS)	0.337	<0.001	$p < 0,05$	Accepted
Average adjusted R-squared (AARS)	0.313	<0.001	$p < 0,05$	Accepted
Average block VIF (AVIF)	1.079	≤ 5 and ideally $\leq 3,3$		Accepted
Average full collinearity VIF (AFVIF)	1.264	≤ 5 and ideally $\leq 3,3$		Accepted
Tenenhaus GoF (GoF)	0.362	small $\geq 0,1$, medium $\geq 0,25$, large $\geq 0,36$		
Sympson's paradox ratio (SPR)	1.000	$\geq 0,7$ and ideally = 1		Accepted
R-squared contribution ratio (RSCR)	1.000	$\geq 0,9$ and ideally = 1		Accepted
Statistical suppression ratio (SSR)	1.000	$\geq 0,9$		Accepted
Nonlinear causality bivariate direction ratio (NLBCDR)	0.857	$\geq 0,7$		Accepted

Source: Processed Data, 2024

Table 5 presents the model fit and quality indices, indicating that all ten evaluation criteria meet the recommended thresholds. The Average Path Coefficient (APC), Average R-squared (ARS), and Average Adjusted R-squared (AARS) values are statistically significant ($p < 0.05$), confirming that the structural relationships in the model are meaningful. The Average Block VIF (AVIF) and Average Full Collinearity VIF (AFVIF) values are below the ideal threshold of 3.3, indicating the absence of multicollinearity issues and supporting the stability of the estimated paths.

The Tenenhaus Goodness of Fit (GoF) value of 0.362 indicates a large overall model fit, suggesting that the model has strong explanatory power. Additional indices, including the Sympson's Paradox Ratio (SPR), R-squared Contribution

Ratio (RSCR), Statistical Suppression Ratio (SSR), and Nonlinear Bivariate Causality Direction Ratio (NLBCDR)—all meet or exceed the recommended criteria, further confirming the robustness and consistency of the structural model.

Substantively, these results indicate that the proposed model adequately captures the complex relationships among budgeting participation, procedural fairness, organizational commitment, budgetary slack, and sharia-based managerial performance. From an Islamic public accountability perspective, the strong model fit suggests that governance mechanisms and ethical accountability principles are systematically integrated into managerial behavior and performance within public sector budgeting processes.

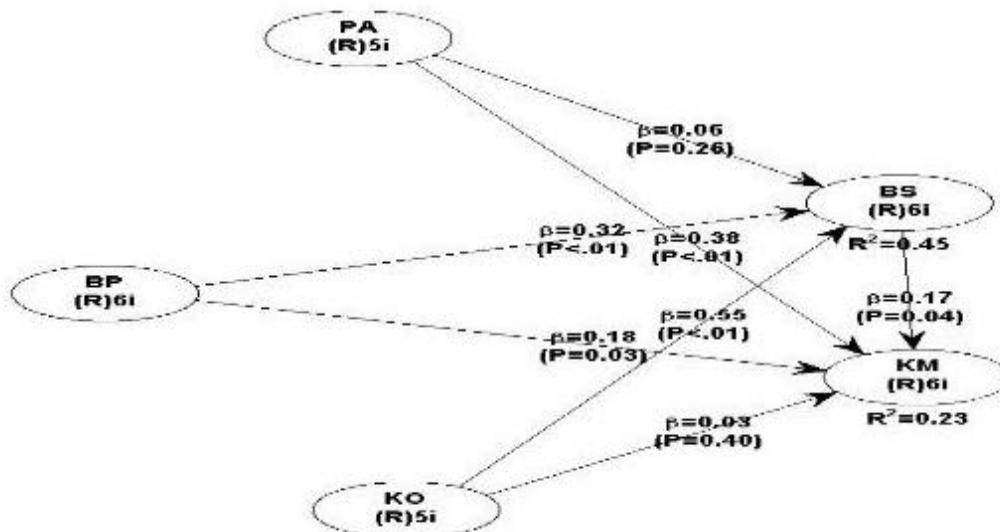


Figure 2. SEM-PLS Result Estimation

Source: Processed Data, 2024

Figure 3 above is a picture of the estimation results of the direct effect and indirect effect models. Below we will explain in more detail the estimation results.

Table 6. Direct Effect Result

Description	Relationship	Path Coefficient	Path Coefficient	P Value
Path of direct influence of variable X on Z	$X_1 \rightarrow Z$	β_{zx1}	0,062	0,264
	$X_2 \rightarrow Z$	β_{zx2}	0,324	<0,001
	$X_3 \rightarrow Z$	β_{zx3}	0,554	<0,001
Path of direct influence of variable X on Y	$X_1 \rightarrow Y$	β_{yx1}	0,376	<0,001
	$X_2 \rightarrow Y$	β_{yx2}	0,176	0,033
	$X_3 \rightarrow Y$	β_{yx3}	0,026	0,395
Path of direct influence of variable Z on Y	$Z \rightarrow Y$	β_{yz}	0,167	0,041

Source: Processed Data, 2024

Table 6 presents the results of the direct effect analysis among budget participation (X1), budget procedural fairness (X2), organizational commitment (X3), budgetary slack (Z), and sharia-based managerial performance (Y). The results show that budget participation does not have a significant direct effect on budgetary slack ($\beta = 0.062$; $p = 0.264$). This indicates that participatory budgeting alone is insufficient to influence slack creation when not supported by other governance mechanisms.

Budget procedural fairness has a positive and significant effect on budgetary slack ($\beta = 0.324$; $p < 0.001$), suggesting that perceived fairness in budgeting procedures is associated with changes in slack behavior. Organizational commitment also shows a strong and significant effect on budgetary slack ($\beta = 0.554$; $p < 0.001$), indicating that commitment plays a substantial role in shaping managers' budgeting behavior.

Regarding sharia-based managerial performance, budget participation has a positive and significant direct effect ($\beta = 0.376$; $p < 0.001$), indicating that greater involvement in budgeting enhances managerial performance outcomes. Budget procedural fairness also positively affects sharia-based managerial performance ($\beta = 0.176$; $p = 0.033$), highlighting the importance of just and transparent procedures in improving performance. In contrast, organizational commitment does not show a significant direct effect on sharia-based managerial performance ($\beta = 0.026$; $p = 0.395$), suggesting that commitment alone does not automatically translate into performance improvements.

Finally, budgetary slack has a positive and significant effect on sharia-based managerial performance ($\beta = 0.167$; $p = 0.041$). Substantively, this result indicates that slack functions as a critical behavioral mechanism linking governance practices to performance outcomes. From an Islamic public accountability perspective, these findings highlight that managerial performance is shaped not only by participation and fairness but also by how budgeting behavior aligns with ethical responsibility (*amanah*) and justice (*al-'adl*) in public sector governance.

Table 7. Indirect Effect and Total Effect

Indicator	Total Effect				Indirect Effect			
	KM		KM		KM		KM	
	Coefficient	Std Error	P-Value	Effect Size	Coefficient	Std Error	P-Value	Effect Size
PA	0.386	0.089	<0.001	0.149	0.01	0.07	0.442	0.004
BP	0.23	0.093	0.008	0.051	0.054	0.069	0.218	0.012
KO	0.119	0.096	0.11	0.015	0.092	0.068	0.09	0.012
BS	0.167	0.095	0.041	0.038				

Source: Processed Data, 2024

Table 7 presents the results of the indirect and total effect analysis examining the mediating role of budgetary slack in the relationships between budget participation, budget procedural fairness, organizational commitment, and sharia-based managerial performance. The results indicate that the indirect effects of budget participation ($\beta = 0.010$; $p = 0.442$), budget procedural fairness

($\beta = 0.054$; $p = 0.218$), and organizational commitment ($\beta = 0.092$; $p = 0.090$) on sharia-based managerial performance through budgetary slack are not statistically significant.

These findings indicate that budgetary slack does not function as a significant mediating variable in transmitting the effects of budget participation, procedural fairness, and organizational commitment on sharia-based managerial performance. Although several variables exhibit significant direct effects on managerial performance, the absence of significant indirect effects suggests that the influence of these governance-related variables operates primarily through direct mechanisms rather than through slack-based behavioral pathways.

Substantively, this result implies that managerial performance in the public sector is influenced more strongly by direct participation and procedural fairness than by indirect behavioral adjustments related to slack creation. From an Islamic public accountability perspective, this finding highlights that ethical performance is not solely determined by reducing slack, but also by strengthening direct accountability mechanisms such as transparency, justice (*al-'adl*), and trust (*amanah*) in budgeting processes.

DISCUSSION

Contribution of Budget Procedural Fairness to Budgetary Slack

The results indicate that budget procedural fairness has a positive and significant effect on budgetary slack, suggesting that fair and transparent budgeting procedures do not necessarily reduce slack behavior in public sector organizations. Consistent with prior public sector studies, procedural fairness may unintentionally legitimize conservative budgeting when agents perceive formal justice as sufficient compliance, despite the persistence of information asymmetry.^{86,87,88} From the perspective of conventional agency theory, this finding implies that procedural justice alone is insufficient to constrain opportunistic behavior if it is not supported by strong outcome-based accountability.⁸⁹

From the perspective of Islamic agency theory, this result reflects a gap between formal procedural justice and substantive ethical accountability rooted in amanah. In Islamic public governance, agents are entrusted with public resources as a moral responsibility, and fair procedures are intended to reinforce truthful and efficient budgeting behavior.⁹⁰ The positive association between procedural fairness and budgetary slack suggests that when procedural justice is

⁸⁶ Leventhal, "Beyond Fairness: A Theory of Allocation Preferences."

⁸⁷ Brownell, "The Role of Accounting Data in Performance Evaluation, Budgetary Participation, and Organizational Effectiveness."

⁸⁸ Ritonga and Sihombing, "Pengaruh Partisipasi Anggaran dan Gaya Kepemimpinan Terhadap Kinerja Manajerial di OPD Dinas Lingkungan Hidup Provinsi Sumatera Utara."

⁸⁹ Merchant and Van der Stede, *Management Control Systems: Performance Measurement, Evaluation and Incentives*.

⁹⁰ Munifatussa'idah, "Sharia Compliance, Islamic Corporate Governance, Intellectual Capital, and Earning Management toward Financial Performance in Indonesia Islamic Banks."

not internalized as amanah, it may conflict with the objectives of maqashid al-shariah, particularly the protection of public wealth and the promotion of public welfare.⁹¹ Therefore, procedural fairness must be complemented by ethical internalization and maqashid-oriented accountability to prevent slack behavior in Islamic public sector budgeting.

Contribution of Organizational Commitment to Budgetary Slack

The findings show that organizational commitment has a positive and significant effect on budgetary slack, indicating that higher commitment does not necessarily discourage slack behavior in public sector budgeting. This result suggests that committed managers may prioritize organizational stability and goal attainability over budgetary efficiency, leading to the intentional creation of slack. Similar findings in prior studies indicate that strong organizational attachment can encourage risk-averse behavior, where managers set conservative budget targets to ensure performance achievement and organizational continuity.⁹² From a conventional agency theory perspective, this reflects a form of bounded rationality in which committed agents act in the perceived best interest of the organization, even if such actions reduce allocative efficiency.⁹³

From the perspective of Islamic agency theory, organizational commitment should be grounded in amanah and moral accountability, emphasizing honesty and responsibility in managing public resources. The positive relationship between commitment and budgetary slack found in this study suggests that commitment oriented primarily toward organizational outcomes, rather than ethical responsibility, may deviate from the objectives of maqashid al-shariah, particularly the protection of public wealth and the realization of public benefit.⁹⁴ In Islamic public governance, true commitment implies adherence not only to organizational goals but also to ethical and spiritual accountability. Therefore, organizational commitment must be aligned with maqashid-based values to ensure that loyalty to the organization does not legitimize inefficiencies such as budgetary slack.

Contribution of Budget Participation to Sharia-Based Managerial Performance

The findings indicate that budget participation has a positive and significant effect on sharia-based managerial performance, suggesting that managers who are actively involved in the budgeting process tend to demonstrate higher ethical and performance-oriented behavior. Consistent with prior studies, participatory budgeting enhances information sharing, role clarity,

⁹¹ Sofia Yasmin, Chaudhry Ghafran, and Roszaini Haniffa, "Exploring De-Facto Accountability Regimes in Muslim NGOs," *Accounting Forum* 42, no. 3 (2018): 235-47, <https://doi.org/10.1016/j.accfor.2018.07.002>.

⁹² Kewo, "Managerial Performance at Universitas Negeri Manado in Terms of Internal Control System Implementation and Organizational Commitment."

⁹³ Santoso and Wage, "Pengaruh Anggaran Partisipatif Terhadap Kinerja Pada Lembaga Keuangan Syariah Yang Di Mediasi Keadilan Persepsian Dan Komitmen."

⁹⁴ Yasmin, Ghafran, and Haniffa, "Exploring De-Facto Accountability Regimes in Muslim NGOs."

and psychological ownership, which contribute to improved managerial performance in public sector organizations.⁹⁵ From the perspective of conventional agency theory, budget participation reduces information asymmetry and aligns managerial actions with organizational objectives, thereby improving performance outcomes.⁹⁶

From the perspective of Islamic agency theory, budget participation reflects the principle of amanah through collective responsibility and mutual consultation. In Islamic governance, participatory decision-making aligns with the concept of shura, which emphasizes inclusive and transparent deliberation in managing public resources.⁹⁷ The positive association between budget participation and sharia-based managerial performance indicates that participatory budgeting supports the objectives of maqashid al-shariah, particularly in promoting justice, accountability, and public welfare. By involving managers in budget formulation, organizations strengthen ethical commitment and spiritual accountability, ensuring that performance is not only efficient but also aligned with Islamic values.

Contribution of Budget Procedural Fairness to Sharia-Based Managerial Performance

The findings show that budget procedural fairness has a positive and significant effect on sharia-based managerial performance, indicating that fair, transparent, and consistent budgeting procedures contribute to improved managerial outcomes in the public sector. This result suggests that when managers perceive budgeting processes as fair, they are more likely to accept budget targets, demonstrate higher motivation, and perform their managerial roles effectively. Prior studies in public sector and management accounting literature support this finding, emphasizing that procedural justice enhances trust, role clarity, and performance by reducing resistance to control systems.^{98,99,100}

From the perspective of Islamic agency and accountability theory, procedural fairness represents an institutional manifestation of amanah in public resource management. Fair budgeting procedures signal justice, transparency, and ethical treatment, which are central values in Islamic governance and are expected to encourage responsible managerial behavior.¹⁰¹ The positive

⁹⁵ Kewo, "Managerial Performance at Universitas Negeri Manado in Terms of Internal Control System Implementation and Organizational Commitment."

⁹⁶ Santoso and Wage, "Pengaruh Anggaran Partisipatif Terhadap Kinerja Pada Lembaga Keuangan Syariah Yang Di Mediasi Keadilan Persepsi dan Komitmen."

⁹⁷ Yasmin, Ghafran, and Haniffa, "Exploring De-Facto Accountability Regimes in Muslim NGOs."

⁹⁸ Leventhal, "Beyond Fairness: A Theory of Allocation Preferences."

⁹⁹ Brownell, "The Role of Accounting Data in Performance Evaluation, Budgetary Participation, and Organizational Effectiveness."

¹⁰⁰ Merchant and Van der Stede, *Management Control Systems: Performance Measurement, Evaluation and Incentives*.

¹⁰¹ Yasmin, Ghafran, and Haniffa, "Exploring De-Facto Accountability Regimes in Muslim NGOs."

association between procedural fairness and sharia-based managerial performance suggests that just procedures support the realization of maqashid al-shariah, particularly in promoting justice, protecting public wealth, and enhancing public welfare. In this sense, procedural fairness functions not merely as a technical control mechanism but as a moral governance instrument that strengthens ethical accountability and aligns managerial performance with Islamic values.

The Contribution of Budgetary Slack to Sharia-Based Managerial Performance

The findings indicate that budgetary slack has a positive and significant effect on sharia-based managerial performance, suggesting that a certain level of slack may support managers in achieving performance targets within public sector organizations. This result implies that slack can function as a behavioral buffer that allows managers to cope with environmental uncertainty, workload pressures, and performance demands, thereby facilitating task completion and managerial effectiveness. Previous studies in management accounting also recognize that slack, when used prudently, may enhance short-term performance by reducing stress and enabling flexibility in resource utilization.¹⁰²

From the perspective of Islamic agency and accountability theory, the positive role of budgetary slack must be interpreted with caution. In Islamic public governance, managers are entrusted with public resources as an amanah, requiring honesty, efficiency, and responsibility in budget formulation and execution.¹⁰³ While limited slack may help managers perform effectively, excessive or intentional slack contradicts the objectives of maqashid al-shariah, particularly the protection of public wealth and the promotion of public benefit. Therefore, the positive association between slack and sharia-based managerial performance found in this study suggests that slack may contribute to performance only when it remains within ethical and accountable boundaries. This finding highlights the need for maqashid-oriented oversight to ensure that performance gains achieved through slack do not undermine Islamic principles of justice and public accountability.¹⁰⁴

Contribution of Budget Procedural Fairness to Sharia-Based Managerial Performance Through Budgetary Slack

The results indicate that budgetary slack does not significantly mediate the relationship between budget procedural fairness and sharia-based managerial performance. This finding suggests that although procedural fairness directly enhances managerial performance, its influence does not operate through changes in slack behavior. In other words, fair budgeting procedures improve

¹⁰² Merchant and Van der Stede, *Management Control Systems: Performance Measurement, Evaluation and Incentives*.

¹⁰³ Yasmin, Ghafran, and Haniffa, "Exploring De-Facto Accountability Regimes in Muslim NGOs."

¹⁰⁴ Samosir, Purba, and Damanik, "Pengaruh Partisipasi Penyusunan Anggaran Terhadap Kinerja Managerial Dengan Keadilan Distributif Anggaran Dan Keadilan Prosedural Anggaran Sebagai Variabel Intervening Pada Rumah Sakit Estomih Medan."

performance through direct mechanisms such as increased trust, acceptance of budget targets, and perceived legitimacy of decision-making, rather than through behavioral adjustments related to slack creation. This result aligns with prior studies showing that procedural justice can independently affect performance outcomes without necessarily altering opportunistic budgeting behavior.^{105,106}

From the perspective of Islamic agency and accountability theory, this finding implies that procedural fairness contributes to sharia-based managerial performance primarily through ethical and moral pathways rather than through technical control over slack. In Islamic public governance, fair procedures are intended to reinforce amanah and ethical responsibility in managing public resources.¹⁰⁷ The absence of a mediating role of budgetary slack suggests that managerial performance grounded in Islamic values is not dependent on slack reduction, but on the internalization of justice, transparency, and accountability aligned with *maqashid al-shariah*. This finding reinforces the argument that ethical performance in Islamic public sector organizations is driven more by values-based governance than by behavioral manipulation of budgeting buffers.¹⁰⁸

Contribution of Organizational Commitment to Sharia-Based Managerial Performance Through Budgetary Slack

The findings indicate that budgetary slack does not significantly mediate the relationship between organizational commitment and sharia-based managerial performance. Although organizational commitment directly influences managerial performance, its effect does not operate through slack-related budgeting behavior. This result suggests that committed managers enhance performance primarily through dedication, effort, and alignment with organizational objectives rather than through strategic manipulation of budgetary buffers. Previous studies also indicate that commitment-driven performance improvements are often independent of opportunistic budgeting behavior.¹⁰⁹

From the perspective of Islamic agency and accountability theory, organizational commitment is expected to reflect amanah and moral responsibility in managing public resources. The absence of a mediating role of budgetary slack implies that commitment rooted in Islamic values contributes to managerial performance through ethical conduct and responsibility rather than through slack-based adjustments. In Islamic public governance, performance is

¹⁰⁵ Merchant and Van der Stede, *Management Control Systems: Performance Measurement, Evaluation and Incentives*.

¹⁰⁶ Samosir, Purba, and Damanik, "Pengaruh Partisipasi Penyusunan Anggaran Terhadap Kinerja Managerial Dengan Keadilan Distributif Anggaran Dan Keadilan Prosedural Anggaran Sebagai Variabel Intervening Pada Rumah Sakit Estomih Medan."

¹⁰⁷ Yasmin, Ghafran, and Haniffa, "Exploring De-Facto Accountability Regimes in Muslim NGOs."

¹⁰⁸ Ritonga and Sihombing, "Pengaruh Partisipasi Anggaran Dan Gaya Kepemimpinan Terhadap Kinerja Manajerial Di OPD Dinas Lingkungan Hidup Provinsi Sumatera Utara."

¹⁰⁹ Kewo, "Managerial Performance at Universitas Negeri Manado in Terms of Internal Control System Implementation and Organizational Commitment."

expected to align with maqashid al-shariah, particularly the promotion of justice and public welfare, which cannot be achieved through inefficiencies such as intentional slack creation.¹¹⁰ This finding reinforces the view that in Islamic public sector organizations, managerial performance is driven by values-based commitment and accountability rather than by behavioral mechanisms associated with budgetary slack.¹¹¹

CONCLUSION

This study examines the effects of budget participation, budget procedural fairness, and organizational commitment on sharia-based managerial performance, both directly and through the mediating role of budgetary slack. The findings reveal that budget participation and budget procedural fairness have a positive and significant impact on sharia-based managerial performance, whereas organizational commitment does not exert a significant direct effect. In addition, budget procedural fairness and organizational commitment positively and significantly influence budgetary slack, while budget participation shows no significant effect. Budgetary slack itself has a positive and significant effect on sharia-based managerial performance; however, it does not mediate the relationships between the independent variables and managerial performance. These results highlight the novelty of this study by demonstrating that, in Islamic public sector organizations, participatory and fair budgeting mechanisms enhance managerial performance primarily through goal clarity and perceived justice rather than through slack-based control mechanisms.

From a theoretical perspective, this study extends the application of Goal-Setting Theory and Path-Goal Theory to the context of sharia-based public sector governance. Budget participation supports Goal-Setting Theory by strengthening goal clarity, goal acceptance, and managerial commitment, which in turn improve performance outcomes. Meanwhile, budget procedural fairness aligns with Path-Goal Theory, as fair and transparent procedures help clarify the path toward goal achievement by reducing ambiguity and perceived obstacles. Practically, these findings have important implications for Islamic public policy and budgeting practices. Public sector organizations operating under Islamic principles should design budgeting systems that emphasize participatory processes and procedural fairness, not merely as administrative requirements but as instruments to enhance clarity of objectives, managerial motivation, and ethical accountability. Budgeting policies should therefore be oriented toward achieving public welfare, efficient resource utilization, and performance improvement in line with Islamic values of justice, trust, and maqashid al-shariah.

¹¹⁰ Yasmin, Ghafran, and Haniffa, "Exploring De-Facto Accountability Regimes in Muslim NGOs."

¹¹¹ Sinen, "Partisipasi Penganggaran Terhadap Kinerja Manajerial Dengan Keadilan Prosedural Dan Goal Commitment Sebagai Variabel Moderasi."

This study has several limitations. First, the cross-sectional research design limits the ability to capture dynamic changes in budgeting behavior and managerial performance over time. Second, the reliance on perceptual data may introduce subjectivity and response bias. Third, the research context is confined to a specific public sector setting, which may limit the generalizability of the findings. Future research is encouraged to employ longitudinal designs, integrate perceptual measures with objective performance indicators, and expand the scope of analysis to various public and non-public sharia-based institutions. Further studies may also incorporate additional variables such as Islamic leadership, ethical climate, and values-based goal clarity to deepen the examination of Goal-Setting Theory and Path-Goal Theory within Islamic public governance contexts.

Author's Contribution

Lia Rachmawati: Contribute to formulating research ideas, collecting data, processing data, and interpreting data.

Rendy Mirwan Aspirandi: Contributing to writing systematics, research methods, and analyzing interpretation results.

Inneke Putri Widyani: Contributing to collecting data, compiling a literature review, and to the language proofread.

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Declaration of Competing Interest

The author declares that there is no conflict of interest.

Ethical Approval

Ethical approval No patient-identifying parts in this paper were used or known to the authors. Therefore, no ethical approval was requested.

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