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Budgetary Participation, Compensation, and Performance of Local Government Working Unit: The Intervening Role of Organizational Commitment

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Abstract:

Research aims: This study aims to examine the influence of budgetary participation and compensation influence toward local government performance with organizational commitment as an intervening.

Design/Methodology/Approach: The sample used was government officials in Magelang City, Indonesia. The respondents involved in this study were head of the division, head of the sector, head of sub-division, head of sub-sector, and staff. This research used a purposive sampling method. The type of data is primary data that were collected by distributing the questionnaires. 116 respondents were involved as the sample. Partial Least Square (PLS) was employed to test the hypotheses.

Research findings: This study revealed that budgetary participation and compensation influenced organizational commitment. Also, it showed that budgetary participation and compensation indirectly influenced on local government performance through organizational commitment.

Theoretical contribution/Originality: This study gives evidence that organizational commitment has a role as a full intervening variable on the relationship between budgetary participation and compensation toward performance.

Practitioner/Policy implication: This study gives beneficial information to the regulator and local government management to enhance agencies' performance.

Research limitation/Implication: This study only conducted in Magelang City. Arguably, the reader needs to be carry full in reading this study result, mainly to generalize the study results.

Keywords: Budgetary Participation; Compensation; Organizational Commitment; Performance; Local Government



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Introduction

Bureaucracy reformation of local government in Indonesia has lasted for more than 20 years. Nevertheless, the performance still becomes an issue to face. It is reported that most of the regional government performance throughout Indonesia in 2018 on average is still in the C status (Sofyani, Akbar, & Ferrer, 2018). One of the local governments that deals with the performance problem is Magelang city. According to the examination results of the Local Government Financial Report/ Laporan Keuangan Pemerintah Daerah (LKPD) Magelang City in 2012-2015, the amount of

realized revenue budget in the Budget Realization Report/ Laporan Realisasi Anggaran (LRA) is very volatile (Maizunati, 2017). In 2015, the remaining budget of the Budget Financing/ Sisa Anggaran Lebih Pembiayaan Anggaran (SILPA) of the Magelang city, which was previously only budgeted at 16 billion IDR reached 201 billion IDR. It indicates that the performance of the Government of Magelang City, as measured by the budget implementation, is still not optimal.

Some researchers found out that the determinants of performance factors were the implementation of performance-based budgeting (Sofyani & Prayudi, 2018), clarity of budget objectives, organizational commitment of local working unites (Kusuma & Budiarta, 2013), bureaucracy environment (Juliani & Sholihin, 2014), relevant job information (Nugraheni & Murtini, 2015), motivation of local working unit, commitment to goals, budgetary participation practices, and remuneration systems (Widiyanto & Haryanto, 2018). This research itself only opposes the evaluation of participation, budgeting, and organizational commitment to the performance of Local Working Unit / Organisasi Perangkat Daerah (OPD) of the local government of Magelang.

Besides, this study also studies organizational commitment as an intervening variable. It is in line with the argument of Sofyani et al. (2018), which found that policy in a government organization would run well and achieve the expected target if the implementation of the policy was normatively oriented. For this purpose, the local working unit must have strong organizational commitment. The empirical testing is an essential aspect of this research to find evidence that can support or refute this opinion. Based on the discussion elaborated in the previous paragraph, the Magelang City government was chosen as the research location due to its low performance.

This research contributes to the development of knowledge related to empirical evidence about the performance determinant of the Local Working Unit and the role of intervening from organizational commitment. Practically, this research provides input for regulators, and local working unites regarding important factors to be considered to improve Local Working Unit performance.

Literature Review and Hypotheses Development

This study used the theory of goal setting in explaining the relationship between budgetary participation variables and the performance of government agencies. Locke (1975) goals that are clearly defined and realized by individuals or groups within the entity will produce a higher level of achievement if accompanied by the acceptance of the stated purposes (Basri, 2013; Locke, 1975). Locke and Latham (2013) explained that the absence of specific goals and objectives could be a source of ambiguity, confusion, and lack of direction for subordinates. Therefore, the presence of a clear goal-setting concept in the formulation of performance measurement systems for subordinates could lead to the growth of work motivation and commitment to goals, which in turn has an impact on improving performance (Locke & Latham, 2013).

Besides the goal-setting theory, this study also used the expectancy theory to explain the correlation between compensation and government performance. Expectancy theory, which was promoted by Vroom (1964), believed that an individual behavior that is related to the performance depends on the individual expectancy. Vroom (1964) stated that someone works to realize the expectations offered by the job. In the actual practice, motivational theories are recognized in the form of incentive mechanisms and remuneration systems that are discussed with managerial performance targets. Thus, a manager will spend a certain level of effort if he feels there is a strong relationship between the effort with the award received. It will motivate the managers in doing their work and responsibilities. This idea, as explained by Lunenburg (2011), states that expectancy theory is based on the idealism that there is a correlation between the effort, achieved performance, and accepted reward.

According to Allen and Meyer (1993), there are three dimensions of organizational commitments: (1) Affective; it takes place when an employee wants to be part of an organization because of emotional or psychological bond towards the organization; (2) Continuance is an employee willingness to survive in an organization because he needs the salary and other benefits, or he cannot find another job; and (3) Normative, which results from an employee's internal personal values. In other words, the employee perseveres in the organization because he feels that he has an obligation for it.

Robbins, Judge, and Langton (2013) believe that when employees have a low level of commitment towards an organization, they tend to have low productivity and affect the organization's performance. Mowday, Porter, and Steers (1982) define an organizational commitment as the employees' compliance to strain for the sake of their company. This idea is similar to continuance commitment elaborated by Meyer and Allen (1993). Therefore, the organization's performance will improve along with the reinforcement of individuals' effort within the organization to achieve its goals (Tobing, 2009). Previous studies conducted by B Niode (2012), Rustini, Suardikha, and Astika (2015), and Sofyani et al. (2018) found that the performance of both the apparatus and organization were affected by the organizational commitment from local working unit.

H₁: Organizational commitment has a positive effect on the performance of Local Working Unit

The participation in the budgeting process and the role of the budget as the performance indicator correlates one another (Indarto & Ayu, 2011). The budgeting process includes three stages: (1) goal setting; (2) implementation; and (3) control and evaluation (Puspaningsih, 2002). Several organizations use a budget to determine the target of various programs arranged both in the short-term and long-term planning process (Horngren, Datar, & Foster, 2018). According to Mowen and Hansen (2006), an organization needs a budget to interpret the strategies to run in short-term and long-term planning. One of the essential aspects of arranging the budget is the participation of the organization's members.

Siegel and Ramanauskas-Marconi (1989) explained that participation in budgeting could become an instrument to harmonize the organization's goal and the individual in the organization. Devis and Newstorm (1985) stated that participation as parts of an organization's involvement had mental and emotional effects on the group situation for the achievement of shared goals by sharing mutual responsibilities. Baiman (1982) stated that subordinates involved in participation in organizational decision making would be encouraged to help their superiors by providing the information they have so that the budget prepared is more accurate. It can be concluded that the practice of participation can trigger robust internal coordination and mutual support and will further improve organizational performance. Allen and Meyer (1993) elaborated that employee's affective commitment was related to the employee's emotional bond with the organization. Involvement in the organization's managerial process, which is budgeting, is a form of appreciation for the existence of employees to grow emotional ties within the employees to the organization. Furthermore, Locke and Latham (2013) explained that budgetary participation becomes a tool that could define organizational goals in more detail and subsequently made it easier for employees to achieve organizational goals. It is in line with the view of the goal-setting theory.

Several research results have found that participation has a positive correlations with the employees commitment as reported by Indarto and Ayu (2011), Wiratno, Ningsih, and Putri (2016), Sofyani, Suryanto, Wibowo, and Widiastuti (2018), Candra and Gowon (2019), dan De Romario, Dwija, Badera, and Putra (2019). Sofyani et al. (2018) found that one of the determinants of the high commitment of village government officials (*pemdes*) in the village development process was due to the involvement of all village officials in the process of village budget planning and preparation.

H₂: Budget planning participation has a positive impact on the organizational commitment.

Compensation mechanism is one of the crucial factors in increasing employee commitment to align goals with the organization (Carrigan, 2011). Compensation is a form of remuneration received by employees for their work performance (Rustini et al., 2015). Referring to Allen and Meyer (1993), continuance commitment occurs when employees in the organization get the desired benefits in the organization, such as salaries and bonuses. According to Retnaningsih (2007), the existence of compensation would foster a sense of belonging to the organization and subsequently had an impact on improving employee performance in the organization. Compensation in local government can be done by associating it with the performance evaluation of local government employees. The performance aspects measured can be in the form of discipline, compliance with regulations, responsibilities, cooperation, productivity, effectiveness, efficiency, innovation, and work benefits (Niode, 2012). Based on expectancy theory, the expectation of compensation from the achievement of performance indicators will increase the commitment of employees in the organization to perform (Vroom, 1964). Empirically, Niode (2012) found that compensation mechanisms in the form of remuneration could increase employee commitment in carrying out particular policies in government organizations, whereas Rustini et al.

(2015) found that compensation could increase the commitment of local government officials which in turn influenced performance.

H₃: Compensation has a positive effect on organizational commitment.

Based on the division of dimensions of organizational commitment by Allen and Meyer (1993), budgetary participation is related to affective commitment. The practice of budgetary participation is expected to trigger the growth of the affective commitment of employees because the existence of employees is genuinely valued. Therefore, employees will feel an emotional bond with the organization and will then be motivated to achieve the performance targets expected by the organization. Still referring to Allen and Meyer (1993), compensation related to the dimensions of continuance commitment where employees continually organized for reasons of advantages such as salaries and other allowances. The existence of this benefit is also associated with the performance that will be generated by the employees.

Sofyani et al. (2018) revealed that the implementation of a policy in the government organization would achieve its target when it was accompanied by normative orientation or the content of the policy itself. Hence, organizational commitment becomes a crucial aspect of reaching its objective. It is believed that the organization that has employees who have high commitment will attain optimum performance (Fitriastuti, 2013). Organizational commitment does not merely mean having a passive allegiance but also involving effective action from the employees to make a significant contribution to their organization. The higher the commitment, the higher the individual tendency to be directed on the work which is based on the standard of employee performance (Wahyudi, 2015). It eventually affects the organization's performance. Jannah and Rahayu (2015) found that budgetary participation did not affect managerial performance directly unless it was through budget-goal commitment as the intervening variable. Niode (2012) revealed that compensation became a determinant from the employee performance and organization because the compensation was considered able to motivate and increase employee commitment in an organization to achieve the performance target.

H_{4a}: Budgetary participation has a positive effect on the Local Working Unit through organizational commitment.

H_{4b}: Commitment has a positive effect on Local Working Unit through organizational commitment.

Based on the proposed hypotheses, the research model is presented in figure 1.

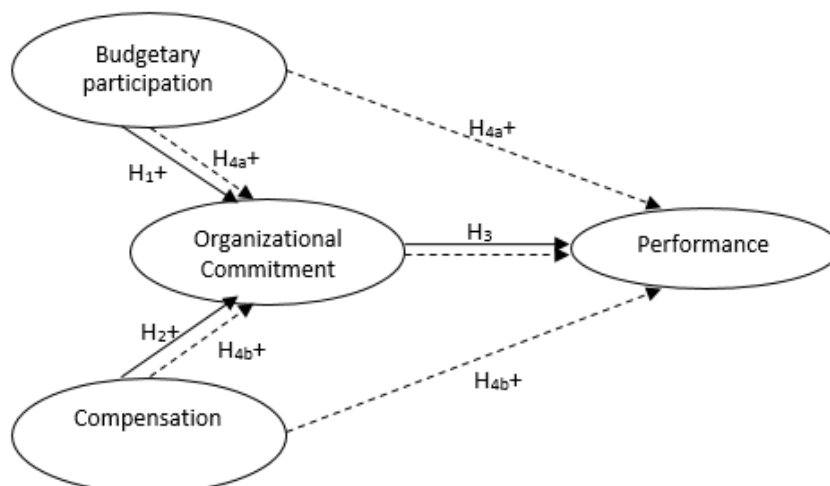


Figure 1 Research Model

Research Method

This study used a positivist paradigm, and which was conducted using a survey method to test the hypotheses. The approach used was an explanatory research model to investigate the relationship between one variable to another (Cooper & Schindler, 2001; Creswell, 2012; Hartono, 2013). Based on the formulation of the hypothesis, the research model was formulated as presented in Figure 1. This research took place in Magelang City, and the population of this study was its work unit, which is called the Regional Government Organization (Local Working Unit). Hence, the level of analysis of this study was the Regional Government Organization. The number of respondents in this study was 1116 people consisting of various positions, namely: head of the division, subdivision, sector, sub-sector, and staff involved in the preparation of the Local Working Unit budget.

The dependent variable of this study was the performance of the government regional institution. This variable was measured using nine-item statements adopted from the study of Mahoney, Jerdee, and Carroll (1965). This variable was measured using eight indicators; those are planning, investigation, coordination, evaluation, monitoring, staff selection, delegation, and negotiation (Wibowo, 2012). Next, there were four statement items to measure the budgetary participation variable adopted from the study of Jermias and Setiawan (2008). There were five choices for each option that could be chosen by the respondent. The budgetary participation variable in this study was measured using four indicators, namely (1) The ability to provide opinions in preparing the budget, (2) The frequency of giving ideas or proposals about the budget to superiors, (3) The frequency of superiors asking for opinions when the budget is prepared, and (4) Contribution in making the budget (Maramis, Saerang, & Warongan, 2016). Measuring the compensation variable adopted from Paramitadewi (2017), there were five answer options for each statement that can be chosen by each respondent. The compensation variable used in this study was measured using four indicators, namely (1) Wages and

salaries, (2) Incentives, (3) Allowances, and (4) Facilities. Finally, the measurement for the organizational commitment variable is the nine statement items adopted from the study of Silaban (2009). There are five-answer options for each statement that can be chosen by each respondent. The organizational commitment variable used in this study was measured using three dimensions (Allen & Meyer, 1993) such as (1) Affective Commitment, (2) Continuance Commitment dan (3) Normative Commitment.

The variable measurement used a Likert scale 1 to 5, from 1= strongly disagree and 5= strongly agree. The data obtained from this study are primary data, or data gained directly from the field. The data source was the respondents involved in the practice of regional financial management in the government of Magelang City. The data collection technique was carried out by distributing questionnaires directly by visiting them at work. This method was conducted to make a high return rate of the questionnaire compared to when it is sent by post (Hartono, 2013).

The method of analysis of this research used a Partial Least Square-Structural Equation Modeling (PLS-SEM) approach based on variant which can simultaneously test measurement model as well as structural model (Chin, Marcolin, & Newsted, 2003; Hair Jr, Sarstedt, Hopkins, & Kuppelwieser, 2014; Hartono & Abdillah, 2011). According to Cook and Campbell (1979), PLS can be used for statistical conclusion validity testing. This analysis is intended to answer a set of interrelated research questions in a single, systematic and comprehensive analysis by modeling the relationship between several independent and dependent constructs simultaneously (Gefen, Straub, & Boudreau, 2000). PLS is also considered to have advantages in dealing with multicollinearity and data distribution problems (Gustafsson & Johnson, 2004). In this study, PLS was adopted on the grounds of the non-parametric nature of the Likert scale and the high possibility of multicollinearity elements, and the relatively small number of research samples (Hartono & Abdillah, 2011). Specifically, we use SmartPLS, which is one of the software commonly used with beneficial requirements, methodological choices, and ease of use available (Ringle, Wende, & Will, 2005). The measurement criteria using PLS is presented on table 1.

Tabel 1 Criteria for Assessment of Measurement and Structural Model of PLS

Test	Parameter	Rule of thumbs	Source
Convergent Validity	Outer Loading	≥ 0.4	(J. F. Hair, Black, Babin, Anderson, & Tatham, 2006)
	Average Variance Extracted (AVE)	≥ 0.5	(Fornell & Larcker, 1981)
	Communality	≥ 0.5	(Chin et al., 2003)
Discriminant Validity	Cross Loading (Discriminant Validity)	Item loads on its own construct ≥ to other constructs	(Gefen & Straub, 2005)
	Reliability	Cronbach Alpha	≥ 0.6
Composite Reliability		≥ 0.5	(Fornell & Larcker, 1981)
Structural Model	Path coefficient	≥ 1.96 (0.05); ≥ 2.58 (0.001)	(J. Hair, Anderson, Tatham, & Black, 1995)
	SignTttificance of Path Coefficient (t-value)		

Result and Discussion

Table 2 Questionnaire Return Rate

Information	Number	Percentage (%)
Distributed questionnaires	120	100.00
Unreturned questionnaires	4	3.33
Returned questionnaires	116	96.67
Questionnaires that cannot be processed	0	0.00
Questionnaires processed	116	96.67

The distribution and submission of questionnaires were conducted from July 26, 2019, to August 13, 2019. The researchers took 24 Regional Government Organization (OPD) samples. Table 2 presents the rate of the questionnaire returned. Table 3 shows the detailed questionnaire returned rate for each Local Working Unit.

Table 3 Returned Questionnaires per Regional Government Organization (OPD)

No	Name of Regional Government Organization	Distributed Questionnaire	Returned questionnaire	%
1	Regional Secretariat	5	5	100
2	Regional People's Representative Assembly (DPRD) Secretariat	5	5	100
3	Inspectorate	5	5	100
4	Public Health Office	5	5	100
5	Communication, Information and Statistics Service	5	5	100
6	Department of Transportation	5	5	100
7	Youth, Sports and Tourism Office	5	5	100
8	Department of Community Empowerment, Women, Child Protection, Population Control, and Family Planning	5	5	100
9	Department of Industry and Commerce	5	5	100
10	Social Services	5	4	80
11	Department of Population and Civil Registration	5	4	80
12	Library and Archives Service	5	5	100
13	Labor Offices	5	5	100
14	Department of Education and Culture	5	5	100
15	Department of Agriculture and Food	5	5	100
16	Environmental Services	5	5	100
17	Investment and One Stop Integrated Services Office	5	4	80
18	Department of Housing and Settlement Areas	5	5	100
19	Department of Public Works and Spatial Planning	5	5	100
20	National Unity, Politics and Community Protection Agency	5	5	100
21	Development Planning Board (BAPPEDA)	5	4	80
22	Regional Financial and Asset Management Agency	5	5	100
23	Personnel, Education and Training Agency	5	5	100
24	Civil service police Unit	5	5	100
Total		120	116	96.67

Table 4 Statistical Data of the Respondents' Characteristics

Information	Description	Number	Percentage (%)
Latest Education	The number of respondents:	116	100.00
	• Diploma Three (D3)	10	8.62
	• Diploma Four (D4)	15	12.93
	• Bachelor (S1)	50	43.10
	• Master (S2)	41	35.35
	• Doctor (S3)	0	0.00
Incumbency or position	The number of respondents:	116	100.00
	• Head of Sector	20	17.24
	• Head of Division	22	18.97
	• Head of Subsector	24	20.69
	• Head of Subdivision	20	17.24
	• Staff	30	25.86
Rank or position	The number of respondents:	116	100.00
	• Echelon I	44	37.93
	• Echelon II	30	25.86
	• Echelon III	20	17.24
	• EchelonIV	22	18.97
Length of duty	The number of respondents:	116	100.00
	• < 1 year	45	38.79
	• 2-5 years	36	31.03
	• 6-10 years	30	25.87
	• > 10 years	5	4.31
Length of work	The number of respondents:	116	100.00
	• < 1 year	14	12.07
	• 2-5 years	45	38.79
	• 6-10 years	40	34.48
	• > 10 years	17	14.66

Next, Table 4 presents the profile of respondents in this study, which focuses on the respondents' information, including the latest education, incumbency and position, rank or class, length of duty, and length of work.

Before conducting the hypotheses test, the validity and reliability of the constructs were assessed first. The validity test included the tests of convergent and discriminant. The measurement of convergent validity refers to outer loading and AVE score. Based on the PLS analysis, it was found out that the outer loading indicators of all constructs were more than 0.4 (see Table 6) . Referring to J. F. Hair et al. (2006), it can be concluded that the convergent validity has been fulfilled. It is supported by the AVE score presented in Table 5, which score is above 0.5 (Fornell & Larcker, 1981).

Table 5 Results of Convergent Reliability and Validity Tests

Variable	Code	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Commitment	KIP	0.923	0.936	0.619
Organizational Commitment	KO	0.776	0.846	0.524
Compensation	KOM	0.796	0.865	0.615
Budgetary participation	PPA	0.810	0.874	0.635

Furthermore, for the discriminant validity shown from the results of the cross-loading analysis presented in Table 7. From the PLS analysis, it was found that the value of Item loads on its own construct is higher than other construct (Gefen & Straub, 2005), which means that this assumption of discriminant validity is also fulfilled. Next is the reliability test, which refers to Cronbach Alpha and Composite Reliability (see Table 5).

The results of PLS showed that the Cronbach Alpha of all constructs were more than 0.6, and the Composite Reliability was higher than 0.5. From the analysis of this construct quality, it can be concluded that all of the construct variables in this study have fulfilled all the validity criteria for convergent, discriminant, and reliability. Therefore, the hypotheses test can be continued to the next level.

Table 6 The Results of Convergent Validity Test with Outer Loading

Variable	Code	KIN	KO	KOM	PPA
Performance	KIN1	0.804			
	KIN2	0.770			
	KIN3	0.776			
	KIN4	0.808			
	KIN5	0.847			
	KIN6	0.752			
	KIN7	0.791			
	KIN8	0.833			
	KIN9	0.689			
Organizational Commitment	KO1		0.802		
	KO2		0.681		
	KO4		0.683		
	KO5		0.740		
	KO9		0.709		
Compensation	KOM1			0.745	
	KOM2			0.790	
	KOM3			0.846	
	KOM4			0.752	
Budgetary participation	PPA1				0.808
	PPA2				0.845
	PPA3				0.839
	PPA4				0.687

Note: KO3, KO6, KO7, and KO8 were excluded because they do not have the required outer loading score

Table 7 Results of Discriminant Validity Test

Variable	KIN	KO	KOM	PPA
Performance	0.787			
Organizational Commitment	0.411	0.724		
Compensation	0.298	0.417	0.784	
Budgetary participation	0.259	0.382	0.243	0.797

Table 8 Results of Hypotheses Test

Correlation	Hypo.	Original Sample	T Statistics	P Values	Conclusion
KO -> KIN	H ₁	0.319	3.112	0.002*	Supported
PPA->KO	H ₂	0.298	3.704	0.000*	Supported
KOM->KO	H ₃	0.345	3.284	0.001*	Supported
PPA->KIN		0.102	0.979	0.328	Not Supported
PPA->KO->KIN	H _{4a}	0.095	2.314	0.021*	Supported (Full Intervening)
KOM -> KIN		0.136	0.936	0.350	Not Supported
KOM->KO->KIN	H _{4b}	0.110	2.247	0.025*	Supported (Full Intervening)

* significant on alpha 0,01 ** significant on alpha 0,05

Hypothesis test results are presented in Table 8. The hypothesis is supported when the direction of the original sample is the same as the prediction direction of the hypothesis, and the statistical T value is more than 1.96 (alpha 0.05) or 2.58 (alpha 0.001). From Table 8 it can be seen that budgetary participation and compensation had a significant positive effect on organizational commitment. Furthermore, the direct impact of budgetary participation and compensation has a significant positive effect on performance found to be insignificant. Meanwhile, the direct effect was found to be significant. This indicates that organizational commitment has a full intervening role (Cooper & Schindler, 2014).

This study found out that the organizational commitment affected the performance. It is in line with Rustamadji and Omar (2019), Sofyani et al. (2018), Rustini et al., (2015), Niode (2012), as well as Chong and Eggleton (2007) who suggested that the regional government organization should always develop and preserve the organizational commitment because it is related to the performance. Besides that, this study also discovered that it is crucial to perform the practice of budgetary participation in Local Working Unit to enhance the organizational apparatus commitment, which eventually will drive to better performance achievement. The results of this study are in line with the findings of Indarto and Ayu (2011), Wiratno et al. (2016), Sofyani et al. (2018), Candra and Gowon (2019), and De Romario et al. (2019). Theoretically, the results supported the idea of Allen and Meyer (1993), which elaborated that one of the commitment dimensions is affective commitment. This study supports the allegation that participation policies in budgeting encourage employees to perform. It is in accordance with the goal-setting theory (Locke & Latham, 2013) that that the practice of budgetary participation will make organizational goals clearer and further increase employee commitment to achieve organizational goals.

In addition to the aspect of budgetary participation, compensation also plays a vital role in increasing employee commitment. As the findings of this study, the compensation mechanism can increase the organizational commitment of regional government employees. It is in line with Niode (2012), who found that the compensation mechanism in the form of regional performance allowance (TKD), promotion, self-development, recognition, and operational service vehicles significantly influenced the implementation of entrepreneurial government. It indicates that the implementation or application of

entrepreneurial spirit within the local government body can be carried out well if a well-established compensation system accompanies it. He also found that compensation had a significant effect on employee commitment. When the compensation received by employees is as expected and has the element of fairness, then the commitment of each apparatus will increase. Rustini et al. (2015) also revealed that there was a positive effect of compensation towards the commitment of budgeting management in the government of Tabanan District.

This result also confirms expectations theory, which explains that the expectation of compensation offered by the organization for attainable performance indicators will increase the commitment of employees in the organization to perform (Vroom, 1964). This result also confirms expectations theory, which elaborates that the expectation of compensation offered by the organization for attainable performance indicators will increase the commitment of employees in the organization to perform (Sofyani, Akbar, et al., 2018). It found that the absence of a compensation mechanism makes the local working unit has a weak commitment. It is because local government officials assume that the strength and weakness of commitment to work will not affect the amount of their income because they have a fixed monthly salary. This has an impact on the number of the local working unit having less optimal performance (Sofyani, Akbar, et al., 2018).

This study becomes a foundation that the compensation mechanism in the local government is essential so that the local apparatus's commitment to performing will increase more. The results also confirm the expectancy theory of Vroom (1964) that an individual will work to realize his expectations offered by a job, including the local apparatus who work in the public area. Therefore, it can be interpreted that when there is no expectation in a job, then commitment motivation from an individual to achieve the targeted performance will not emerge.

Different from the previous studies, the novelty of this study is on the organizational commitment assessment as the intervening variable. The results of this study showed that organizational commitment works as a full intervening variable. The results indicate that budgetary participation and compensation can enhance the local government performance if accompanied by the organizational commitment from the local government.

Allen and Meyer (1993) explain that the practice of budgetary participation will foster the affective commitment of employees because the existence of employees is genuinely valued. Employees will feel an emotional bond with the organization if their presence is appreciated, and then they will be motivated to achieve the performance targets expected by the organization. On the other hand, compensation is related to the continuance commitment dimension in which the employee stays in the organization for reasons of advantages such as salaries and other benefits (Allen & Meyer, 1993). It is in line with the expectancy theory that the expectation, such as the compensation of the achievement of the targeted performance, will improve the employees' performance (Vroom, 1964). The compensation and the performance relationship takes place because there is an employee commitment that is influenced by the compensation

mechanism. It elaborates that the commitment becomes the intervening on the correlation between the compensation and the local working unit performance.

Based on these findings, the suggested important implication is that policies that should be implemented to improve performance, in this case, budgetary participation and compensation mechanisms, must be implemented in earnest accompanied by an organizational commitment of employees. Hence, it is expected to be able to improve the performance of the Local Working Unit in particular and regional governments in general. In contrast, budgetary participation policies and compensation mechanisms that are implemented without organizational commitment will not have an impact on the excellent performance of the organization if the organizational commitment of the local government department is weak. It is in line with the study by Jannah and Rahayu (2015), which found out that the budgetary participation did not affect directly on the managerial performance, but it affected indirectly through the goal budgeting commitment as the mediator.

Conclusion

This study intends to examine the effect of budgetary participation practices and compensation mechanisms on performance through organizational commitment as an intervening. This research was conducted in the city of Magelang by involving the local working unit as a sample. The results of this study, in summary, find that organizational commitment mediates the relationship of budgetary participation and compensation to the performance of local government agencies in Magelang. In other words, the two budgeting and compensation participation policies will only have a significant impact on performance if accompanied by an organizational commitment by local government employees. This research contributes to the development of science, specifically related to empirical testing of the role of organizational commitment as an intervening variable. This study has several significant limitations to note. First, this research does not have a strong generalization force considering that it is only carried out in the Government of Magelang City. It is recommended that future research is carried out in other local governments. Besides, assessing at the provincial, district, and village levels of local government are also highly recommended to find more insight into the phenomena that occur in the field. Further research is also recommended to use other approaches such as qualitative so that the investigation of phenomena can be done in more detail and deeper meaning.

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