



# Journal of Internet Banking and Commerce

*An open access Internet journal (<http://www.icommercecentral.com>)*

*Journal of Internet Banking and Commerce, August 2017, vol. 22, no. 2*

## **DETERMINING (IDENTIFYING) THE EFFECT OF SUBORDINATES MOTIVATION AND THEIR BUDGET PARTICIPATION ON BUDGET TARGETS**

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**MARYAM ISVAND**

Department of management, Islamic Azad University, Farahan Branch,  
Iran

Tel: 00989390153775;

Email: [maghaledandan@gmail.com](mailto:maghaledandan@gmail.com)

**AMMENEH MALMIR**

Department of management, Islamic Azad University, Farahan Branch,  
Iran

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### **Abstract**

Organizational behavior management thinkers have reported a positive relationship between staffs performances and budget participation and attaining to institution goals. This work aimed to identify the effect of subordinates motivation and their participation on commitment on budget targets. This work was applicable in purpose, and it was a causal research. To study the proposed hypotheses and statistical analyses, field method and to gather data, tool of questionnaire were used. Statistical society of this research included Markazi provinces welfare organization staff that research collected the required data to test the hypotheses of the research using the questionnaire from this society, in this regard and with respect to the limited society.

Sampling wasn't performed and the questionnaire was not distributed among all members that finally, 228 questionnaires were completed. To test hypotheses, structural equations method and LISREL software were used. Considering data analysis the result indicated participation in budget has effects on staffs motivation, distributive justice and procedural justice. Staffs motivation has effects on distributive justice and management performance and also distributive justice has effects on procedural justice and management performance, and finally, procedural justice has effect on management performance.

**Keywords: Motivation; Budget participation; Subordinates**

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## INTRODUCTION

Many developed and developing countries try to approach their budgeting systems in an improvement or change process to an operational or central performance system in which relationship between budget and executive organs performances is comprehensible and transparent (clear), and thus, they provide valuable data (information) support for budget decisions of government [1]. Change of the current age indicate the need for executive organs to enforce (exert) reasonable measures specially, appropriate planning.

Making-decision and scientific management and coordination in matters relevant to subordinates requirements (need). Using new budgeting methods not only prevent from slowness of staffs work and waste of money in organization, but also, it is effective in advancing the future targets (goals) of organization. Also, organization can fairly and justly distribute their national resources in appropriate goals of society [2].

Today's, management knowledge tries to find methods to realize view, goals and strategies in an organization which is considered as a criterion for successful performance. One of the most important chain rings of management in organization is to evaluate and measure performance which has been replaced by performance management concept in recent years and it has a comprehensive look to performance issue in an organization [3]. Importance of performance is also due to its role in developing and improving organization and health of labour force. Most of theorists have clarified performance theory and its effective factors to answer such questions because job satisfaction is also part of performance, and nature outside human activity.

### Problem Statement and Necessity of Research

Budget is vital vein in an organization, because organizations conduct their all financial activities both earning and paying to execute various plans and activities in a paying to execute various plans in term of Budget Law; therefore, budget is a

mirror for all plans and activities in an organization and it also plays an important role in developing organization.

Budgeting not only identifies manager's independence and responsibility but also it encourages them toward attaining company targets. Budgeting is conducted toward final goals (targets) of an economic unit or institution, and generally, it includes all important factors, and if budgeting which is used as a planning tool and control tool, is conducted by participation personnel, it will be effective. With respect to limitation in resources, especially, current condition of economics, optimal, using from resources is inevitable and it is realized when companies institutions and perform an exact planning to apply resources and control it to attain the planned goals.

The effectiveness of control and planning systems to motivate subordinates for participation in local budgeting is important because cognitive motivational mechanisms by which participation in budgeting may be possible in relation with subordinates performances, mechanisms of this motivation in subordinates are: Acquainting subordinates with importance of budgeting, understanding job condition, The most important participation goals for staff in budgeting are to identify organizational properties. To realize these goals, they should correctly identify organization tasks and plan goals realization. To realize these plans, budgeting is conducted and it is appropriately performed by resources allocation and subordinates participations. The importance of this issue is to determine the effect of subordinate's motivation and their budget on commitment on budgeting goals, make decision on allocation and organizational resources commitment based on measurable consequences which reflects the expected results of system (performance) during the time.

Since the main budgeting tasks are planning and control. As much as this tool (budget) can be effectively used, management will be helped to do its tasks, To respond this question that does it have an effect on budget goals commitment if budgeting process is performed based on staffs participation study?

Therefore, we tried to perform a research named as determining subordinates motivation and their budget participation on budget goals commitment.

### **Hypothesis of Research**

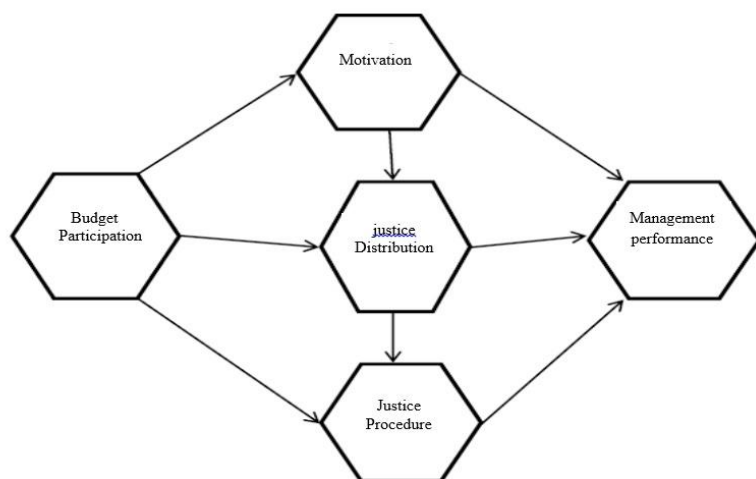
- First Hypothesis: Participation in budget has an effect on staff's motivation.
- Second hypothesis: Participation in budget has an effect on distributive justice.
- Their hypothesis: Participation in budget has an effect on procedural justice.
- Fourth hypothesis: Personnel, s (staffs) motivation have an effect on distributive justice.
- Fifth hypothesis: Personnel's (staffs) justice has an effect on management performance.
- Sixth hypothesis: Distributive justice has an effect on procedural justice.
- Seventh hypothesis: Distributive justice has an effect on management performance.
- Eighth hypothesis: procedural justice has an effect on management performance.

## Conceptual Model of Research

Thinkers of organizational behaviour management have stated a positive relationship between personnel's performance and budgeting participation and attaining institutions goals.

In studying this relationship, in several experimental researches, cognitive and motivational mechanisms have studied (by which budgeting participation may correspond to personnel's performance). Liao and Kren discussed that experimental accounting research usually focused on the motivational effects of participation in budgeting and the obtained results were general and complicated. While merchant (1981) identified a positive relationship between participation in budgeting and motivation; but Mcinnes and Brownel didn't observe such a relationship. They suggest that future research should some aspects of performance resulted from participation in budgeting which are not explainable by motivation factor. Many researches on accounting have studied the roles of cognitive factors in explaining the relationship between participation and performance. Mia found that the relationship between performance participation in budgeting is adjusted by job difficulty. He states that job difficulty sense aggravates the relationship between participation in budgeting and performance; because participation in budgeting provides valuable information for complicated (difficult) tasks. By studding intermediate manager's behaviours, Mia found that if difficult of tasks is high there is a positive relationship between participation in budgeting and performance. While considering that welfare organization is one of supportive elements in a country, internal thoughts and consequently, people's external behaviours (subordinates in organization for participation) are exactly found by identifying motivational and optimal recognition of attitudes results in affecting subordinates motivation participation and individuals' commitments on budgeting targets (Figure 1).

**Figure 1:** Conceptual model of research.



## METHOD OF RESEARCH

This work is applicable in purpose and a causal research in nature and method. Statistical society of this study includes markazi provinces welfare organization staff. In this regard and with respect to the limited society, sampling wasn't conducted and questionnaire was not distributed among all members and finally, 228 questionnaires were completed.

The required data of this research was gathered by questionnaire. The designed questionnaire in two parts of descriptive questions include 4 items: sex (gender), age, education, organization, i.e., personnel should be involved in making-decisions and participate in making-decisions, continually.

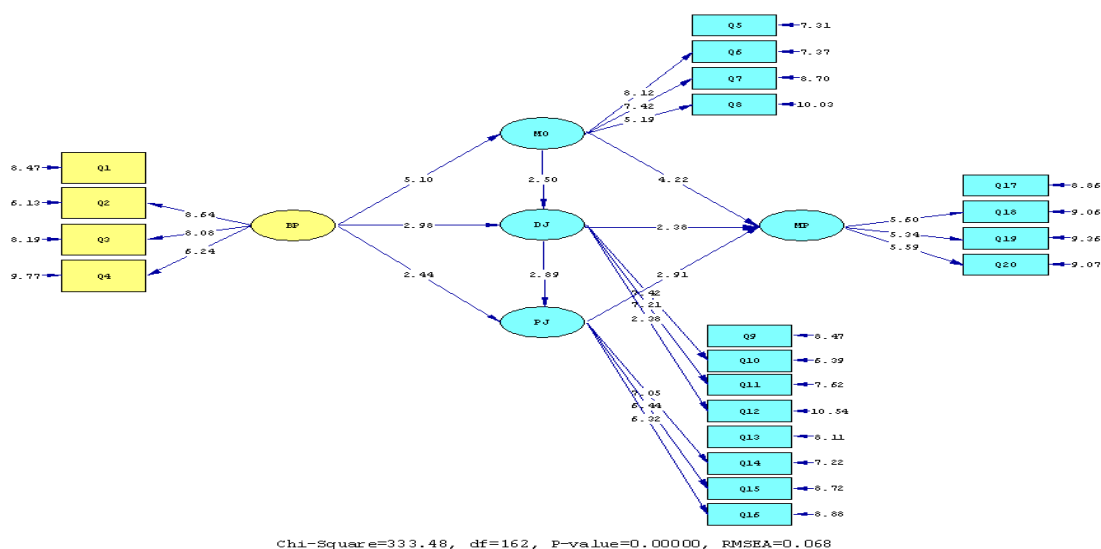
1. Taking suggestions from organization or individual.
2. Feel that were always supervised and it is one of our principles.
3. Respect of the organization leading to honour to customers and colleagues.
4. Have a happy moral, leading to prevent uninterested in and such a moral is one of merits of Imams.
5. Fertilize power of think and cavity and innovation; i.e., create a new phenomenon in organization and fertilize it.
6. Have public relations and good contact with customers and colleagues.
7. How to speak, look and accuracy in work indicating individual and privacy behaviours.
8. Using all principles causes to enjoy work [4].

### Data Analysis

Test of the current research hypotheses was performed by structural equations modelling. Structural equations modelling is an appropriate statistical technique which tests causal models by linear equation system based on some hypotheses on the relationships between variables. Variables of this model are divided into two groups: hidden and observed variables (rectangle) are directly measured by researcher, whereas hidden variables (oval) or unobserved are not directly measured, but they are inferred by correlations between the measured variables (Figure 2).

The hidden variables indicate some theoretical structures such as abstract concepts which are not directly observed and they are observed by other observed variables. The hidden variables are divided into two other groups: endogenous or receiver flow variables and exogenous or donor flow variables. Every variable in structural equations model system can be considered as both an endogenous variable and an exogenous variable. An endogenous variable is a variable which is affected other existing variables. An exogenous variable is a variable which is not affected by other variables in model but they affect ones. Numbers structural equations and observed variables (rectangle) are shown.

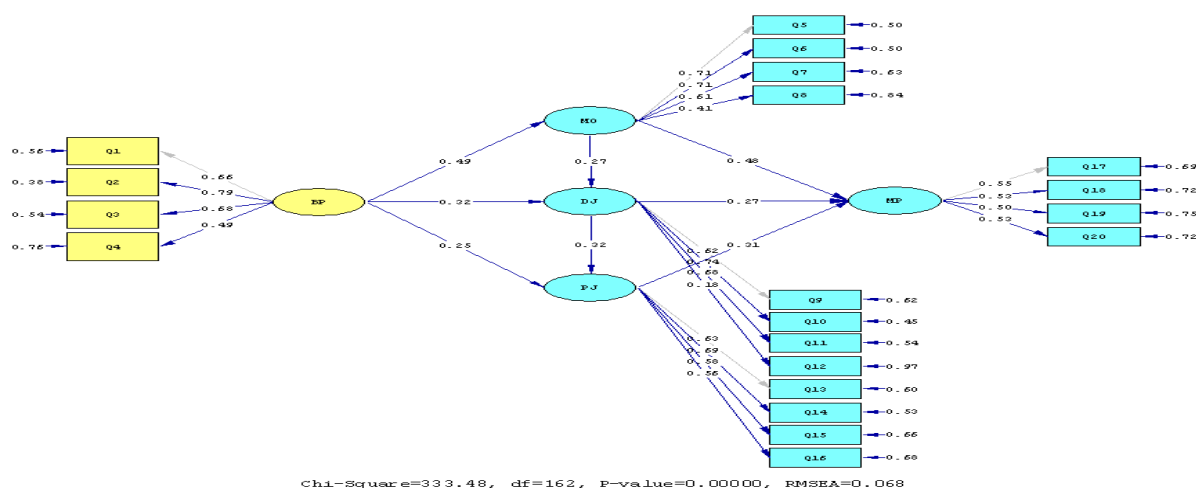
Figure 2: T-statistics for model coefficients.



These equations are called operating loads. The second group is structural equations showing relationship between hidden and observed variables, and they are used to test hypotheses. Graph (2) shows t-coefficient for structural model and measurement of the secondary hypotheses. Also, in graph (3), standard coefficients for every variable in the current work are shown.

Considering the offered model, variable (participation in budget (BP)) is an independent variable, and variables: motivation (Mo), distributive justice (DJ), procedural justice (PJ), and management performance (MP), are dependent ones (Figure 3).

Figure 3: Standard coefficients of structural and measurement model.



### Test of the First Hypothesis

Claim of researcher: participation in budget has an effect on personnel's (staffs) motivation. Statistical hypothesis (Table 1):

Participation in budgeting has no effect on staff's motivation: H0

Participation in budgeting has an effect on staffs' motivation: H1.

**Table 1:** Results relating to the first hypothesis standard coefficient t-statistics type of path.

Type of path	t-statistics	Standard coefficient	Result
Gamma	-10/49	0/49	Positive and significant effect

Considering that t-statistic equals to 5.10 and this value isn't included in meaningless interval (-1.96, 1.96), so, it can be concluded that this hypothesis is significant. Therefore, it is clear that participation in budgeting has a significant effect on staffs' motivation. On the other hand, the path proposed between two variables (participation in budgeting and staffs motivation) considering it is between a dependent variable and an independent variable, is gamma (0.49), positive and significant. With respect to the obtained results, it is clear that participation in budgeting has a positive effect on staffs motivation and this hypothesis is accepted.

### Test of the Second Hypothesis

Claim of researcher: participation in budgeting has effect on distributive (distribution) justice (Table 2).

Statistical hypothesis: participation in budgeting has no effect on distributive justice: H0.

Participation in budgeting has an effect on distributive justice: H1.

**Table 2:** Results relating to second hypothesis.

Type of path	t-statistics	Standard coefficient	Result
Gamma	98/2	32/0	Positive and significant effect

Considering that t-statistic equals to (2.98) and this value is not included that this hypothesis interval (-1.96, 1.96), so, it can be concluded that participation in budgeting has a significant effect on distributive justice. On the other hand, the path proposed between two variables (participation in budget and distributive justice) considering that it is between a dependent variable and an independent variable, is gamma (0.32), and positive and significant. With respect to the obtained result from this hypothesis, it is clear that participation in budgeting has a positive effect on distributive justice, and this hypothesis is accepted.

### Test of the Third Hypothesis

Claim of researcher: participation in budgeting has an effect on procedural justice (Table 3).

Statistical hypothesis: participation in budgeting has no effect on procedural justice: H0. Participation in budgeting has an effect on procedural justice: H1.

**Table 3:** Results relating to third hypothesis.

Type of path	t-statistics	Standard coefficient	Result
Gamma	44/2	25/0	Positive and significant effect

Considering that t-statistic is (2.44) and this value isn't included in meaningless interval (-1.96, 1.96), so, it can be concluded that this hypothesis is significant. Therefore, it is clear that participation in budgeting has a significant effect on procedural justice. On the other hand, the path proposed between two variables (participation in budget and procedural justice) considering that it is between a dependent variable and an independent variable, is gamma (0.25) and positive and significant. With respect to result obtained from this hypothesis, it is clear that participation in budgeting has a positive effect on procedural justice, and this hypothesis is accepted.

### Test of the Fourth Hypothesis

Claim of researcher: staffs motivation has an effect on distributive justice (Table 4).

Statistical hypothesis: staffs motivation has an effect on distributive justice: H1.

**Table 4:** Results relating to the fourth hypothesis.

Type of path	t-statistics	Standard coefficient	Result
Beta	50/2	27/0	Positive and significant effect

Considering that t-statistic is 2.50 and this value is not included in meaningless interval (-1.96, 1.96), so, it can be concluded that this hypothesis is significant. Therefore, it is clear that staffs motivation has a significant effect on distributive justice. On the hand, the path proposed between two variables (staffs motivation and distributive justice) considering that it is between two variables, is beta (0.27) and positive and significant, with respect to result obtained from this hypothesis, it is clear that staffs motivation has a positive effect on distributive justice, and this hypothesis



is accepted.

### Test of the Fifth Hypothesis

Claim of researcher: staffs motivation has an effect on management performance (Table 5).

Statistical hypothesis: staffs motivation has no effect on management performance: H0.

Staffs motivation has an effect an effect on management performance: H1.

**Table 5:** Results relating to the fifth hypothesis.

Type of path	t-statistics	Standard coefficient	Result
Beta	22-Apr	48/0	Positive and significant effect

Considering that t-statistic is 4.22 and this value is not included in meaningless interval (-1.96, 1.96), so. It can be concluded that this hypothesis is significant. Therefore, it is clear that staffs motivation has a significant effect on management performance. On the other hand, the path proposed between two variables (staffs motivation and management performance) considering that it between two variables, is beta (0.48) and positive and significant. With respect to results obtained from this hypothesis, it is clear that staffs motivation has a positive effect on management performance and this hypothesis is an accepted (Table 6).

### Test of the Sixth Hypothesis

Distributive justice has no effect on procedural justice: H0.

Distributive justice has an effect on procedural justice: H1.

**Table 6:** Results relating to the sixth hypothesis.

Type of path	t-statistics	Standard coefficient	Result
Beta	89/2	32/0	Positive and significant effect

With respect to this issue that t-statistic is 2.89 and this value is not included in meaningless interval (-1.96, 1.96), so, it can be concluded that this hypothesis is significant.

Therefore, it is clear that distributive justice has a significant effect on procedural justice. On the other hand, the path proposed between two variables (distributive and procedural variables) considering that it is between two variables, is beta (0.32) and positive and significant. With respect to result obtained from this hypothesis, it is

clear that distributive justice has a positive effect on procedural justice, and this hypothesis is accepted.

### Test of the Seventh Hypothesis

Claim of researcher: Distributive justice has a management performance (Table 7).

Statistical hypothesis: Distributive has no effect on management performance: H0.

Distributive justice has an effect on management performance: H1.

**Table 7:** Results relating to the seventh hypothesis.

Type of path	t-statistics	Standard coefficient	Result
Beta	38/2	27/0	Positive and significant effect

Considering that t-statistic is 2.38 and this value isn't included in meaningless interval (-1.96, 1.96), so, it can be concluded that this hypothesis is significant. Therefore, it is clear that distributive justice has a significant effect on distributive justice. On the other hand, the path proposed between two variables (distributive justice and management performance) considering that it is between two variables, is beta (0.27) and positive and significant. With respect to results obtained from this hypothesis, it is clear that distributive justice a positive effect on management performance, and this hypothesis is accepted.

### Test of the Eighth Hypothesis

Claim researcher: procedural justice has an effect on management performance (Table 8).

Statistical hypothesis: procedural justice has no effect on management performance: H0.

Procedural justice has an effect on management performance: H1.

**Table 8:** Results relating to the eighth hypothesis.

Type of path	t-statistics	Standard coefficient	Result
Beta	91/2	31/0	Positive and significant effect

Considering that t-statistic is 2.91 and this value is not included in meaningless interval (-1.96, 1.96), so, it can be concluded that this hypothesis is significant. Therefore, it is clear that procedural justice has a significant effect on management performance. On the other hand, the path shown between two variables (procedural justice and management performance) considering that it is between two dependent variables, is beta (0.31) and positive and significant. With respect to results obtained from this hypothesis it is clear that procedural justice has a positive effect on

management performance, and this hypothesis is accepted.

## RESULTS OF RESEARCH HYPOTHESES

First Hypothesis: Participation in budgeting has an effect on staff's motivation. Considering results obtained from this hypothesis, it is clear that participation in budgeting has a positive and significant effect on staff's motivation, and this hypothesis is accepted.

Staff management system on motivating in staff and encouraging them in participation in budgeting notifies, commitment on organization goals that how much this work can be vital for an organization, as one of the main projects of strategic plans for budgeting, it tries to spread a new area on budgeting management in our country and provide hopes for eliminating past and current inefficiencies of subordinates participation structure in organization budgeting affairs. Participation subordinates in staffs budgeting can be effective and improve their motivation because personnel feel they are more accepted.

Thus, self-respect, job satisfaction, and cooperation with management can be improved. Consequences of participation are almost appeared as reducing conflict and stress in work, more commitment and attachment to goals and more acceptances of changes.

Second hypothesis: with respect to results obtained from this hypothesis, it is clear that participation in budgeting has a positive and significant effect on distributive justice, and this hypothesis is accepted. Budgeting is one of manager's tasks, a tool for control motivation and performance evaluation. Many studies show that staffs participation provides different levels in preparing budget, performance improvement and achieving organizational goals because staff can determine the real value of the required budget due to participation in working in other words, they determine and receive the required budget and thus, by saving costs and increasing financial resources for other sections, organization performance is improved.

Third hypothesis: participation in budgeting has an effect on procedural justice. With respect to results obtained from this hypothesis it is clear that participation in budgeting has a positive and significant effect on procedural justice, this hypothesis is accepted. Thus, it can be said that by providing an area in which staff can participation in determining budget for organization activities, they can see the trend (process) of budget allocation and by participation in this area can be aware of its allocation process, thus they are not encountered any question and ambiguity on this area, and for this reason, they can fairly feel its allocation process.

Fourth hypothesis: staffs motivation has an effect on distributive justice. With respect to results obtained from this hypothesis it is clear that motivation in staff has a positive and significant. Why are some people active, some people apathetic and why do some ones he down? In other words, why are work ethic, work culture and work conscience in some organization and offices (departments) similar better than

other centres? Are these differences inherent or acquired and training and affected by motivation factors? Undoubtedly, all efforts and behaviours are formed by motivation and goals. Motivation and goals are considered as two important internal and external factors, which encourage human to reach the purpose (goal), so, if an organization motivates its staff via meeting their needs, and tries to resolve their problems, they will be. Committed to achieve organization goals, and improve organization performance by increasing their effectiveness and efficiency; thus, they can prevent to waste resources and increase costs and use available budget and resources and they are satisfied because it is proportional to their responsibilities and this level is fair.

Fifth hypothesis: staffs motivation has an effect on management performance. Considering results obtained from this hypothesis, it is clear that staffs motivation has a positive and significant effect on management performance and this hypothesis is accepted. From this hypothesis can be conclude that if staff have enough motivation (mentioned in above hypothesis), they will try to help managers achieve goals, so that, by providing useful information and reports, they help managers make decision on goals, policies and organizational plans, finally, managers can properly manage organization and show an appropriate performance. Sixth hypothesis: Distributive justice has an effect on procedural justice. With respect to results obtained from this hypothesis, it is clear that distributive justice has a positive and significant effect on procedural justice, and this hypothesis is accepted. Distributive justice points out judgement on distributive equality, results such as level of payment or opportunities for improvement in an organizational texture. This theory states that individuals consider relative balance of appropriate and compare their relative data-output with colleagues.

If there is some inequalities in expectations, weak subjects in organization may get worse, at this time, the only work that organization should do, is to identify some parts of organization in which unequal distributive is observed, and then, it is prevented.

However, executing justice requires adopting fair procedures, i.e., irrespective that base and content of law should be fair process leading to justice, should be fair; justice in execution procedure should provide an equal opportunity for others. Therefore, it can be said that justice requires explicitness in laws and laws execution procedure is fair when it provides easy benefit of law.

Seventh hypothesis: Distributive justice has an effect on management performance. With respect to results obtained from hypothesis is clear that distributive justice has a positive and significant effect on management performance, and this hypothesis is accepted. Managers should consider issue of justice and executing it in organization over the past, and provide an area for increasing and improving organization justice in three dimensions, particularly, distributive and procedural dimension, and also, provide a situation to train supervisors of staff on better contact with, and compensate their services based on the required standards. Staff investment is considered as an organization, so, organizations should focus on their commitments

and attitudes. Organizations can provide the required resources for training and participation staff in activities related to their work, to affect their precepts and improve their commitments. The positive effect of on focus on staff's precepts can be effective for managers because their good performances cause to achieve goals, plans and policies determined by them.

Eighth hypothesis: Procedural justice has an effect on management. With respect to results obtained from this hypothesis, it is clear that procedural justice has a positive and significant effect on management performance condition, organization for reaching more efficiency and effectiveness, and finally, achieving the determined goals should focus their human resources.

Maybe, individual's attitudes have the most effects on their performances. Generally, attitude is preparation for special respond (reaction) to a subject, object, thought or situation. If individuals have positive attitudes to work, management, or whole organization, their motivation toward doing better, will be more, and the converse is also true. Subject's attitudes are affected by their precepts from level of justice in organization; i.e., they are sensitive to procedures by which distribution decisions are made, and respond to these decisions.

Therefore, if this process is executed in organization, management performance in gathering data. Reports, accounts and will be increased due to their performances.

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