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THE INFLUENCE OF BUDGET PARTICIPATION ON MANAGERIAL PERFORMANCE

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Abstract

The purpose of this study was to examine the effect of budget participation on managerial performance in manufacturing companies in Indonesia. The data used in this study were obtained from distributing questionnaires to midle-up managers of manufacturing companies in Indonesia. The questionnaires processed were 200 questionnaires. The study conducted during 2024. The analysis method used is simple linear regression test. The results show that budget participation on managerial performance has a significant and positive effect on managerial performance. This research suggests that shareholders ask managers to implement a budget participation policy which requires all levels of managers to be involved in budget preparation in order to improve managerial performance.

Keywords: *Budget Participation, Managerial Performance*

1. BACKGROUND

In an era of increasingly fierce competition, manufacturing companies are required to improve efficiency and effectiveness in their operations. One important aspect that contributes to the achievement of these goals is the budget planning and control process. Budget participation, which involves managers from different levels in budget preparation, has become the focus of attention because it is believed to affect managerial performance. Budget participation provides an opportunity for managers to convey their information, aspirations, and input during the budgeting process. This is believed to increase their sense of responsibility, motivation, and commitment to achieving organizational targets. In the context of manufacturing companies, which are often faced with operational complexity, cost variability, and efficiency demands, budget participation becomes increasingly relevant to support more informed and realistic decision making. However, the effect of budget participation on managerial performance is not always linear or positive. Some studies show that the impact is highly dependent on contextual factors, such as leadership style, organizational environment, and perceptions of fairness in budgeting. In manufacturing firms, which often have complex organizational structures, it is important to understand how budget participation can effectively drive managerial performance. Therefore, this study aims to analyze the relationship between budget participation and managerial performance in manufacturing firms, as well as identify factors that may moderate the relationship. By understanding these dynamics, companies are expected to optimize the budgeting process.

Hartono Kusuma (2016) demonstrates a strong correlation between managers' success and their involvement in the budgeting process. There may be condition-specific differences in the nature of the link between management performance and budgeting involvement, according to this method. Participation in the budgeting process is associated with better performance on the part of employees, according to the research. asserts that managers' efficiency is impacted by their involvement in the budget. Mayasari et al., (2023) a high level of engagement in budget preparation is associated with improved management performance, and research reveals that the performance indicators of responders who participate in the budget are substantial. Fitrianur Ahmad Sihombing, Marliyah, (2023) discovered that managers' performance was positively and significantly correlated with their level of budget participation. This is supported by Habibie, (2020) which suggests that there is a significant positive relationship between budget participation and managerial performance. Rida et al. (2023) also proves that high participation in budgeting improves managerial performance. However, other empirical evidence shows that participation in budgeting does not always have a positive influence on performance.

Riyadh et al (2023) proved that there is an insignificant relationship between budget participation and performance measurement. it is suspected that there are factors that cause inconsistencies in the results of research on the relationship between participation in budgeting and managerial performance. The benefits of this research are: For researchers, it is expected to contribute to the development of accounting science in the scope of management accounting, especially on Budget Participation and Managerial Performance. Management effectiveness is significantly correlated with employee engagement in budget planning Christine Riani Elisabeth (2024). After that, businesses may utilise it as a resource for their participatory budgeting process. Then, after that, or to other parties, the intention is that it can serve as a resource for future studies along these lines. The study's findings suggest that manufacturing organisations should encourage greater participation from managers in the budgeting process. The attainment of operational and strategic goals is aided by maximising management performance, which is in turn enhanced by fostering a sense of justice and enhancing dedication to organisational objectives.

The difference with previous research is with different moderating variables based on research Puteri & Lestari (2018) budget participation affect managerial performance. and different industrial contexts conducted by Amertadewi (2013) conducted research in banking companies which showed that budget participation affects managerial performance. The contribution of this study is to provide the latest empirical data on the effect of budget participation, especially in the context of the manufacturing industry in Indonesia.

Literature Review and hypothesis development

Goal Setting Theory and *Contingency Theory*

One theory of motivation, goal setting theory, attempts to explain why some individuals are more naturally gifted than others when it comes to doing activities connected to their jobs. The importance of well-defined objectives in motivating people and teams is highlighted throughout this framework. The idea states that goals should adhere to the SMART framework, which stands for specific, measurable, attainable, relevant, and time-bound. In order to maintain motivation high and make any required modifications to strategy, it is crucial to get feedback on the progress of these goals. This notion has been extensively studied and put into practice by several organisations in an effort to increase productivity, morale, and general effectiveness. Almost every intervention pertaining to health involves some form of goal setting, whether it is subtle or obvious. Instead of asking if goal setting will be employed at all, we should be asking if it will be implemented systematically in relation to study results or if it will be applied inconsistently and without specificity Howlett et al., (2019).

This study uses Goal Setting Theory proposed by E. A. Locke & Latham (2015) as its central theory, Goal Setting Theory is a subset of motivation theory that places an emphasis on the connection between objectives and subsequent performance. The theory's central tenet is that an employee's actions on the job will be influenced by his familiarity with the organization's desired outcomes.

Specific and challenging goals have a positive influence on improving individual performance through four main mediators. First, specific goals help individuals focus and provide clear direction in their actions. Second, challenging goals encourage increased effort, where the higher the difficulty of the goal, the greater the effort put in. Third, individuals show greater persistence when pursuing specific and difficult goals. Fourth, this type of goal setting also encourages individuals to utilize existing strategies to achieve these goals. Thus, specific and challenging goals play an important role in motivating individuals to achieve better performance Latham (2024).

The impacts of one's actions and performance on the job may be shaped by one's level of dedication to reaching their goals. Attaining the desired degree of performance might be seen as the attainment of the predetermined goals. As a whole, having good intentions in regard to the objectives is a powerful incentive to really achieve them. People can't gauge their own progress towards objectives without knowledge, targets, and constructive criticism. It is much simpler for any organisation to accomplish its performance goals in line with its vision and purpose when those goals are outlined in a budget plan. Organisational objectives are detailed in the budget, along with plans and the bare minimum required to implement programmes and activities. Employees should aim to successfully manage the budget, according to the Goal Setting Theory method E. Locke & Latham (2019).

A management control system can only be useful in specific contexts and for specific types of organisations, according to Contingency Theory. This means that no one control system design or implementation can account for every possible organisational condition. Theoretically, better organisational performance and participation from all parties involved may be inferred from management control system compatibility with organisational contextual factors. The company's design and management accounting system are examined using Contingency Theory, which yields valuable information. The impact of managers' involvement in budgeting on their performance was assessed in this study using contingency variables. The success of a leader lies in the leadership style that is adapted to the situation and the people he leads Usman (2019). Hutaheean (2019) is that leadership effectiveness is not only determined by the characteristics of the leader alone, but also influenced by the situation and conditions of the group being led. An effective leader must be able to adapt the leadership style, personality, and approach used to the needs and s`ituation of the group he faces, including the tasks that exist in the group. Thus, the success of a leader is highly dependent on his or her ability to adapt to the changing situation.

Budget Participation and Managerial Performance

Mowen (2016) is that participatory budgeting has an important role in improving budget effectiveness and organizational performance. By involving lower-level managers in the budgeting process, participatory budgeting provides several key benefits: Increases the sense of responsibility and ownership of the budget among lower-level managers, Encourages creativity and active involvement, so that budget goals become more personalized and relevant to the individuals responsible for achieving them. Creates goal congruence, an alignment between individual and organizational goals, which can strengthen commitment to budget achievement. Provides non-monetary incentives in the form of a sense of responsibility and challenge that increases intrinsic motivation, which in turn contributes to better performance.

Blocher, E., D. Stout, P. Juras (2015) is that budget success is not determined by one single characteristic, but by a variety of interrelated factors. The main factor of budget success is the full support of key managers who feel ownership of the budget through their contributions in the process of developing it. In addition, budget success also depends on the following aspects: Subordinates' positive perceptions of the budget, i.e. the budget is seen as a planning and coordination tool that helps with work, rather than as a tool of pressure or oppressive control, The budget as a motivational tool, which encourages individuals to work towards organizational goals, rather than as a means of justifying avoiding responsibilities or strategic decisions, Technical accuracy and budget information, where the budget must contain technically correct data and accurate figures in order to be accepted and function properly.

Managerial performance reflects the level of achievement of a manager in achieving the vision, mission, and goals of the organization in accordance with established rules and norms. This performance shows the success of the organization in carrying out its functions based on its vision and goals. In addition, managerial performance can be measured through indicators of managers' success in carrying out management functions, such as planning, organizing, directing, and controlling, as explained by Giri & Dwirandra (2014). Thus, managerial performance includes not only work results, but also how the management process is carried out effectively to achieve organizational goals. Managerial performance can be defined as the result of managerial activities that include planning, organizing, directing, and controlling resources to achieve organizational goals.

Influence Budget Participation on Managerial Peformace

Vroniangela et al., (2022) “found that high budget participation in budget preparation will improve managerial performance in it”. Supardi et al., (2022) found a positive and significant relationship between budget participation and managerial performance. Meanwhile, Nor (2007) has indicated that there is a significant relationship between budget participation and managerial performance. Moheri & Arifah (2015) states that “Budgetary participation affects managerial performance via the mediating variable” which means that budget participation affects managerial performance through mediating variables. Cholifah & Jaeni (2023) states that “The findings suggest that the performance indicators of the respondents who participate in the budget are significant” which means that the findings show that the performance indicators of respondents who participate in the budget are significant. From the findings of the researchers above, it can be concluded that budget participation has a strong influence on managerial performance. With the previous studies and also the explanations above, the researchers proposed the following hypotheses for the two variables”.

H_1 : Budget participation has a positive effect on managerial performance

Research on the effect of budget participation on managerial performance has been conducted by various researchers with mixed results. Munana et al., (2023) conducted their research using multiple linear regression analysis, and they discovered that managers' performance is positively and significantly impacted by budget involvement. These results indicate that managers' involvement in the budgeting process can improve their performance. In contrast, research conducted by Sidik et al., (2022) employing the identical methodology, it was determined that budget involvement did not significantly impact management performance. This difference in results can be caused by contextual factors, such as differences in samples or organizational conditions. Akbar, Siti Zuhroh (2024) Budget participation variables have a significant effect on managerial performance. Lia Suciati (2024) budget preparation participation has a positive and significant effect on managerial performance.

Jatmiko et al., (2024) In industrial businesses, this study seeks to test and verify experimentally that budget involvement affects managerial performance, with cost management expertise and locus of control acting as moderating variables. The sample included 38 managers, including both middle- and lower-level managers, who were involved in the budgeting process. Primary data is what is utilised. Purpose sampling is the methodology used in this research. This study's data analysis method makes use of the SmartPLS v3.0 software programme to employ a Structural Equation Model (SEM) based on Partial Least Square (PLS). This study found that managers' performance is positively impacted by their involvement in the budget process, and that their understanding of cost management moderates the link between the two. Meanwhile, there is no way to restrict budget involvement towards management success based on the locus of control.

2. RESEARCH METHODS

The sampling method is an online questionnaire with docs.google.com which is shown to employees of Manufacturing companies in Indonesia. With the following sampling criteria: Researchers of each manufacturing company addressed to all levels of managers such as (Supervisor, Assistant Manager, Manager, General Manager and Director) and other parts involved in preparing the budget. Researchers distributed questionnaires by means of online questionnaires. The primary data obtained in this study were analyzed to obtain previously stated answers. By using the SPSS 22 program.

Variabel	**Dimention**	**Indicator**	**Scale**
Budget participation Mowen, (2016)	Participation in budget preparation, Revision of budget preparation, Proposals about the budget, Influence on budget setting, Contribution to budget preparation, Proposal on budget preparation	Attendance at budget-related meetings or discussions, Opportunity to recommend changes to the designed budget, Frequency of submission of budget proposals to superiors or teams, Level of influence on established budget priorities, Level of active participation in all stages of budget preparation, Submission of innovative ideas in budget planning	Ordinals
Mangerial Performance Giri & Dwirandra, (2014)	Planning, Investigation, Coordination, Evaluation, Supervision, Staffing, Negotiation, Representation	Develop clear work objectives and targets, Conduct research or data analysis before making decisions, Coordinate work between individuals or teams, Compare work results with predetermined targets, Supervise the implementation of subordinate tasks, Select and recruit competent employees, Negotiate with internal and external parties, Establish good relations with external parties (clients, government, business partners)	Ordinals

3. RESEARCH RESULTS

Based on Table 4.1 below, it is known that the highest relative score of respondents' answers to the lowest score of respondents' answers to the Budget Participation variable is 6 and the highest relative score of respondents' answers is 42, so that the average (mean) total number of budget participation answer scores is 28.8200, this shows that the average respondent states that good budget participation shows the managerial performance achieved. In the table it is known that the highest score of respondents' answers to the managerial performance variable is 15 and the highest relative score of respondents' answers is 56, so that the average (mean) total number of managerial performance answer scores is 41.8950, this shows that the average respondent states that managerial performance in his organization is very good.

Table 1 Descriptive Statistic

	N	*Minimum*	*Maximum*	*Mean*	*Std. Deviation*
PA	200	6.00	42.00	28.8200	8.75906
KM	200	15.00	56.00	41.8950	9.14011

Source: Research results

Classical Assumption Test

Classical assumption tests, such as the Kolmogorov Smirnov test for normality, the Glejser test for heteroscedasticity, the Durbin-Watson test for autocorrelation, and the multicollinearity test by comparing variance inflation factors and tolerance values, must be run prior to hypothesis testing. According to the findings, the regression model is usable as it passes the regression assumption test.

Hypothesis Test

Table 2 below presents the results of the hypothesis test.

Table 2 Multiple Linear Regression

Regression Equation: KM = ß0 + ß1 (PA)			
Variables	**Pred.Sig**	**Coefficients**	**Sig.**
PA	+	0,461	0,000
N	200		
Adj R-Square	0,209		

* Significant at 5 percent.

Hypothesis Test

The Influence of Budget Participation on Managerial Performance

With a t-value of 7.318 and a t-significance of 0.000 < α 0.05, the findings obtained from the regression coefficient of the Budget Participation variable indicate that H0 is rejected and H1 is accepted. With a significance level of 0.000 < α 0.05, the computed F-value is 53.559. A favourable and statistically significant effect of budget involvement on management performance is, thus, postulated. There is a psychological effect that motivates managers to provide top-notch results, proving that budget involvement is more than just a technical procedure. The linkages through budget participation and managerial performance, would make managers are better able to provide input based on their operational knowledge. This results in a more realistic and relevant budget. This research support the result research conducted by Putri & Putra (2015) Hartono Kusuma (2016), Fitrianur Ahmad Sihombing, Marliyah (2023), Rida et al., (2023) and Christine Riani Elisabeth (2024) research showing a positive and significant relationship between budgeting participation and managerial performance

The foregoing data indicates that the R-value is 0.461. This indicates that there is a 46.1% correlation between budget participation and performance. The connection being less than 50% is considered weak. With an adjusted R-squared value of 0.209, we find that the budget participation variable explains 20.9% of the variance in management performance. There are other factors that account for the remaining 70.9% (100% - 20.9%), which are not captured by the regression model.

4. CONCLUSIONS, LIMITATIONS AND SUGGESTIONS

Conclusion

Based on the results of the simple linear regression analysis test, Budget Participation has a positive and significant effect on Managerial Performance in Manufacturing companies in Indonesia as seen from the research results. This empirical evidence confirms that budget participation is not just a technical process, but also creates a psychological impact that encourages managers to deliver the best. In addition, through budget participation would make managers are better able to provide input based on their operational knowledge and drive them to use their best so as to improve managerial performance.

Limitations

Data generated through the use of respondents based on respondents' perceptions. And the data collected through the distribution of questionnaires may be different from the actual conditions. Thus, the research results cannot be generalized.

Suggestion

Manufacturing companies in Indonesia are expected to maintain the Budget Participation policy because it has a positive effect on Managerial Performance. For future researchers to produce more accurate research to add other variables, including Job Relevant Information (JRI).

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