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Budget Optimization for Managerial Performance Achievement

Dillah Rezki Adiani[1*], Nasrullah Dali[2], Emillia Nurdin[3]
[1]Universitas Halu Oleo, Kendari, Indonesia, dillahrezki1702@gmail.com
[2]Universitas Halu Oleo, Kendari, Indonesia,
[3]Universitas Halu Oleo, Kendari, Indonesia,

[*]Corresponding Author: dillahrezki1702@gmail.com[1]

Abstract: This study aims to explore the role of budget participation in enhancing managerial performance through a qualitative approach based on a scoping review. The background of this research is rooted in the importance of involving managers in the budgeting process as a key instrument for effective resource management in public sector organizations. The data were obtained from journal articles published between 2020 and 2024, accessed via Google Scholar using the Publish or Perish (POP) software. A purposive sampling technique was employed, with inclusion criteria focusing on articles that addressed the variables of budget participation and managerial performance. The findings indicate that budget participation positively influences managerial performance, particularly when supported by organizational commitment, effective leadership, and robust internal control systems. Budget participation facilitates dialogue between managers and superiors, enhances ownership of organizational goals, and strengthens accountability. However, the effectiveness of participation is not universal and depends on the organizational context and structural support. This study contributes theoretically to the field of public sector accounting and offers practical insights for improving budget management quality in local governments.

Keywords: Agency theory, Budget, Good governance, Managerial performance, Participation.

INTRODUCTION

Local governments contribute strategically to regional development by utilizing resources optimally and appropriately. The success of local governments in achieving development goals is greatly influenced by the managerial performance of their apparatus (Dewi Muliyati et al., 2022). One of the vital elements in designing and regulating the use of resources is the existence of a budget. Budgets have a direct impact on human behavior. The budget does not solely function as an instrument to prepare financial plans as well as to control, coordinate and assess performance in local government organizations.

Budgeting must consider stakeholders in order for budgets to function properly (Sahara & Solomon, 2025). Participatory budgeting refers to a process that involves the cooperation and overall participation of managers at different levels. Participatory budget planning procedures allow mid-to-lower line managers to participate in determining their work unit

budget targets and allocations (Suryadi et al., 2019). This approach is expected to improve budget accuracy and commitment to achieving targets.

Good governance will affect the performance of the government (Azlina & Amelia, 2015). The budget in the government can be said to be important, because it concerns public funds and must be accounted for by the user (Rasuli, 2019) The government is obliged to align their goals in the budgeting process with the interests of the community, rather than the realization of the interests of individuals/groups. So, the preparation of local government budgets requires really accurate information.

The achievement of budget targets is inseparable from the participation of employees in the preparation of the APBD plan. Through this system, subordinates/budget implementers are involved in the preparation of budgets that concern their sub-divisions so that an agreement is reached between the superiors/holders of budget power of attorney and subordinates/implementers of the budget regarding the budget (Perdana & Yasa, 2017). In the context of local governments, managerial motivation can be influenced by participation in budget preparation. When managers feel engaged in the process, they are usually more motivated to achieve the goals they have set.

In many districts/cities in Indonesia, although there is a policy to increase budget participation through Musrenbang (Development Planning Deliberation), in reality the participation is more formalistic (Henri, 2020). Many parties involved in budget preparation often only involve the community at the initial level without ensuring that they are fully involved in the supervision and evaluation of the budget.

Ambiguity and inability to formulate a budget that is in accordance with the needs of the community can cause an imbalance between the plan and the realization of the budget (Simanjuntak, 2022)Many programs fail to be implemented properly because the budget prepared is not in accordance with the real needs in the field. This also reduces managerial effectiveness in achieving regional development goals. (Rochmat, 2019) examined that in many regions, community participation in Musrenbang is not fully accommodated in the final budget decision, which leads to low achievement of development targets.

Research by (Simanjuntak, 2018) shows that participation in budgeting has a positive effect on managerial performance through organizational commitment. This indicates that involvement in budgeting can strengthen commitment and improve managerial performance.

However, although many studies have studied the link between involvement in budgeting and managerial work outcomes, there is still a gap in understanding how these participation mechanisms or processes specifically affect managerial performance. Most previous studies have focused more on quantitative approaches that measure the effect of budget participation on performance statistically, while few have examined in depth through theoretical and qualitative perspectives.

In this context, this qualitative research based on literature review aims to explore and analyze in more depth how budget participation can affect managerial performance according to various theoretical perspectives and findings from previous studies. Thus, this study aims not only to understand the relationship between the two variables, but also to provide a broader understanding of the mechanisms, supporting factors, as well as the challenges faced by managers in improving performance through budget participation.

Through this approach, it is hoped that a deeper understanding of the contribution of budget participation to managerial performance in different contexts can be achieved, as well as provide insight for practitioners and researchers to design more effective budget policies in support of organizational goals.

Hypothesis Development

The Effect of Budget Participation on Managerial Performance

Agency theory describes the relationship between principals (owners or superiors) and agents (managers) who have different interests, thus potentially causing conflict (Jensen & Meckling, 1976). In this context, budget participation is seen as an important mechanism to align the interests of both parties. By involving managers in the budgeting process, organizations not only strengthen emotional attachment and commitment to set targets, but also reduce information asymmetry between managers and superiors. This is in line with the view of agency theory that empowering agents (managers) through participation can minimize agency costs and encourage improvements in managerial performance, as managers feel more motivated and have a better understanding of organizational goals. The concept of budget participation in local government refers to the involvement of various parties, especially work units, regional apparatus organizations (OPD), and the community, in the process of preparing and planning the regional budget (APBD) (Laila Yuliani & Susanto, 2018). The main objective of this participation is to ensure that the budget prepared reflects the real needs and priorities of the community and can improve the accountability, transparency, and effectiveness of regional financial management. In practice, budget participation in local governments is usually realized through forums such as Development Planning Deliberations *(*Musrenbang*)* which are carried out from the sub-district/village level to districts/cities (Fauziana et al., 2024). In general, managerial performance is measured through indicators such as the achievement of program targets, budget management, policy innovation, cross-sector coordination, regulatory compliance, and quality of public services. In the framework of agency theory, managerial performance reflects how agents (public managers) carry out the mandate of principals (the public and political officials) responsibly.

H1: Budget Participation depends on managerial performance.

METHODS

Research Design

This study uses a qualitative approach known as scope review. Scope review is a literature review method used to systematically explore and map the scope of knowledge in a certain field (Munn et al., 2022). The main purpose of a scope review is to identify the extent to which a topic has been researched, to group the available evidence, and to find gaps in research that still exist. This method is very useful in the early stages of research to gain a thorough understanding of a broad issue before more specific studies such as *systematic reviews* are carried out.

Data Types and Sources

The type of data used in this study is secondary data, this study uses journal articles that are in accordance with the theme of discussion from various journals obtained through *Publish Or Perish (POP) software*. The research scope review process consists of searching and collecting literature relevant to the research topic. Access the researcher's literature through the help of *Publish Or Perish (POP)* software with the keywords "*Budget participation, and managerial performance*".

Population and Sample

The population of this study is a journal found in *Publish Or Perish* with a search for the keywords "Budget Participation and Managerial Performance". The data collection technique was carried out by *purposive sampling*. As for the sampling criteria used, they include:

1. Literature used in the form of articles
2. The literature used is a publication within 2020-2024
3. Literature is obtained from https://scholar.google.co.id/ sources.

4. Journals and articles covering or discussing the variables of budget participation and managerial performance

RESULTS AND DISCUSSION

In the environment of public and private organizations, budget participation is one of the important instruments in supporting the improvement of managerial performance. Recent studies have shown that the involvement of managers in the budgeting process not only enriches the information used in planning, but also increases the sense of responsibility and ownership of the work. For example, a study (Suryani & Pujiono, 2020) revealed that budget participation and decentralization contribute positively and significantly to improving managerial performance in Pekanbaru City OPDs. This confirms that participation can strengthen more targeted and efficient decision-making. (Putra & Dewi, 2023) evaluates how accounting budget information systems and participation affect managerial performance, with organizational culture and work motivation as moderation variables. The results show that budget participation has a positive and significant influence on managerial performance.

Research by (Nursida & Hadi, 2024) strengthens these findings by adding that budget participation, if accompanied by an effective leadership style and organizational commitment, is able to drive managerial performance more optimally. In this context, participation is not only a matter of technical involvement, but also a mechanism for establishing synergy between individuals and organizational values. In other words, participation opens up a space for dialogue between superiors and subordinates which ultimately strengthens the commitment to achieving organizational targets.

The study (Lestari, 2022) also shows a large contribution of budget participation to performance, especially when combined with clarity of budget targets, public accountability, and internal control. These four variables together explain 62.1% of the variation in managerial performance in the Pelalawan Regency Government OPD. This is proof that budget participation coupled with transparency and internal supervision will encourage managers to work more optimally and efficiently in achieving goals.

In the health service sector (Hendro Sasongko, 2020) found that budget participation also improved managerial performance in hospitals in the Bogor region, although rewards did not moderate the relationship. This means that involvement in budgeting can create a stronger intrinsic motivation than just rewards. Managers tend to feel valued when their views are taken into account in the financial planning process, thus increasing dedication to carrying out tasks.

Similar findings were put forward by (Febria et al., 2020) which highlighted the important role of internal supervision as a moderator. Research at the Pekanbaru City OPD shows that budget participation and public accountability have a positive impact on managerial performance, and this effect is stronger with effective supervision. Therefore, a good internal control system will strengthen the influence of budget participation on overall performance.

However, not all studies show a positive influence of budget participation (Hidayah & Fauziah, 2020) in their research at BPR Jepara Regency found that although budget participation has a significant effect on managerial performance, organizational commitment does not strengthen the relationship. This shows that participation still has its own power in driving performance, even without the influence of mediation from other factors. Actively engaged managers feel more responsible for the results of their work.

In contrast, in some cases, budget participation did not show a significant relationship with performance. (Ritonga et al., 2022) revealed that at the North Sumatra Provincial Environmental Service, participation does not affect managerial performance, while leadership style is a key factor. This shows that the success of participation is highly dependent on the context of the organization and the quality of leadership that exists in it.

Similarly, research (Khoerunnisa et al., 2020) at PDAM Tirta Raharja found that budget participation is insignificant, while leadership commitment is actually a determinant of performance. In the context of agency theory, budget participation can be seen as a mechanism to reduce conflicts of interest between *principals* (assignees, such as organizational leaders) and *agents* (task implementers, such as managers). This theory explains that the difference in interests and information between the two parties can cause information asymmetry and the risk of moral hazard. Involving managers in the budgeting process helps reduce information asymmetry as agents gain a deeper understanding of the organization's goals and limitations. When agents are given the opportunity to voice their views and estimate resource needs, the quality of the budget improves and the gap between the principal's and agent's goals can be bridged more effectively.

In addition, from the perspective of agency theory, budget participation can also function as a means to increase *goal congruence*, which is the alignment between the agent's personal goals and the organization's goals. With direct involvement in budgeting, managers tend to feel that the targets set are not just instructions from superiors, but the result of a collaborative process that reflects the aspirations and real conditions of their work unit. This encourages a sense of responsibility and commitment to achieving targets, as well as being a non-financial incentive that reduces the need for strict oversight. Therefore, through the lens of agency theory, budget participation is not only a planning tool, but also a governance instrument that reduces agency costs and increases organizational efficiency.

However, the overall findings of various studies still show that in many contexts, budget participation is a strategic tool to improve managerial performance. With effective participation, managers can understand the direction of the organization's policies more deeply, feel more responsible, and be motivated to work optimally to achieve the organization's goals.

CONCLUSION

The results of this literature review indicate that budget participation plays an important role in improving managerial performance, especially through increasing a sense of responsibility, organizational commitment, and accountability. The active involvement of managers in the budgeting process allows for dialogue between superiors and subordinates, which strengthens synergy within the organization. This participation also contributes to improving the quality of information in planning, as well as fostering intrinsic motivation among managers as they feel involved in the decision-making process that concerns their work unit. Support from an internal control system, effective leadership, and clarity of budget objectives are important supporting factors in strengthening the positive impact of participation on performance.

However, the effectiveness of budget participation is not universal. Some studies indicate that in certain contexts, participation does not have a significant impact on managerial performance if it is not accompanied by leadership commitment or appropriate leadership style. Therefore, organizations need to ensure that budget participation is not only a formality, but is actually carried out substantially and inclusively. This research contributes to the development of public sector accounting science by offering a deeper understanding of the mechanism of budget participation in improving managerial performance, as well as providing a theoretical basis for the formulation of budget policies that are more participatory and responsive to organizational needs.

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