

The Effect of Budgetary Participation on Managerial Performance with Organizational Commitment as a Moderating Variable

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KEYWORDS	ABSTRACT
Budgetary participation; Managerial performance; Moderation; Organizational commitment.	This study investigates the effect of budgetary participation on managerial performance and examines the moderating role of organizational commitment in this relationship. In the context of increasingly competitive business environments, effective budgetary control is paramount for organizational success. While participative budgeting is theorized to enhance managerial motivation and performance, empirical findings remain inconsistent, suggesting the influence of contingent factors such as psychological and organizational variables. This research employs a quantitative survey method, collecting data from 120 middle-level managers in the Indonesian manufacturing sector. Data were analyzed using Moderated Regression Analysis (MRA) to test the proposed hypotheses. The results confirm that budgetary participation has a positive and significant effect on managerial performance. Furthermore, organizational commitment significantly moderates this relationship, strengthening the positive impact of participation on performance when commitment levels are high. These findings contribute to the management accounting literature by elucidating a key boundary condition for participative budgeting effectiveness and offer practical insights for organizations seeking to optimize their management control systems through enhanced involvement and commitment-building initiatives.

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INTRODUCTION

In an era of intense global competition and dynamic market conditions, organizations must optimize their resource allocation and operational control mechanisms (Kaplan & Norton, 2022). Budgeting serves as a fundamental tool in this process, integrating planning, coordination, and performance evaluation (Barton et al., 2023). Contemporary management accounting literature emphasizes a shift from rigid, top-down budgetary approaches toward more participatory models (Cohen & Franco-Santos, 2021). Budgetary participation—defined as the extent of managers' involvement in the budgeting process—is posited to enhance the quality of budgetary information, foster goal commitment, and improve managerial motivation (Thompson & Watson, 2021). This shift is believed to contribute to improved decision-making, aligning managerial goals with organizational objectives (Lau et al., 2022). Additionally, participatory budgeting has been linked to higher organizational performance, particularly in environments characterized by uncertainty (Hopper & Major, 2020).

However, the direct link between budgetary participation and managerial performance is not unequivocal (Farashah et al., 2019; Guidini et al., 2020). While some studies report a positive association (Chen & Chang, 2021), others find weak or nonsignificant effects (Ng & Liu, 2022), indicating the presence of intervening or moderating variables. This inconsistency highlights a significant research gap, suggesting that the efficacy of participative budgeting is contingent on contextual and individual factors (Wang & Zhuang, 2023). One such critical factor is organizational commitment the psychological attachment and loyalty an individual feels toward their organization (Tariq et al., 2021). Organizational commitment has been shown to mediate the relationship between budgetary participation and performance outcomes, suggesting that employees' emotional and cognitive engagement with the organization influences the success of participative budgeting (Hassan & Ali, 2020).

Organizational commitment is theorized to be a vital catalyst in the participation–performance nexus (Meyer & Allen, 2021). Managers with high affective commitment are likely to internalize organizational goals, exhibit greater dedication, and perceive participative opportunities as meaningful contributions to a collective mission (Sia et al., 2022). Conversely, in environments where commitment is low, budgetary participation may devolve into a procedural formality, failing to elicit the intrinsic motivation necessary for performance enhancement (Liu & Zhang, 2021). Thus, organizational commitment may act as a moderator, amplifying or attenuating the positive effects of participation on performance (Chen & Li, 2020). Recent studies support the notion that affective commitment plays a crucial role in linking participation to performance outcomes (Vikram & Shah, 2022).

Despite its theoretical relevance, empirical research explicitly modeling organizational commitment as a moderator in the budgetary participation–performance relationship remains limited, particularly within specific industrial contexts like manufacturing. Manufacturing firms often face precise cost-control pressures and complex operational planning, making the budgeting process especially critical. Understanding how participation and commitment interact to drive managerial performance in this setting is both urgent and novel.

This study therefore aims to address this gap by examining the direct effect of budgetary participation on managerial performance among middle-level managers in manufacturing companies and, more importantly, by testing the moderating role of organizational commitment. The research questions are: (1) Does budgetary participation positively affect managerial performance? (2) Does organizational commitment strengthen (moderate) this relationship?

Theoretically, this research contributes to the contingency theory of management accounting by identifying a key psychological contingency—organizational commitment—that influences the success of participative budgeting systems. Practically, the findings will provide managers and corporate leaders with evidence-based guidance on designing more effective budgetary processes that not only involve employees but also cultivate the deep-seated commitment required to translate participation into superior performance.

METHOD

This study used a quantitative approach with a survey method. The study population was middle managers in a manufacturing company. The sample used was 120 respondents using

a purposive sampling technique. The research instrument was a questionnaire with a Likert scale of 1–5. Variables were analyzed using Moderated Regression Analysis (MRA) to determine whether organizational commitment strengthens the relationship between budgetary participation and managerial performance. Validity was tested using factor loading, while reliability was tested using Cronbach's Alpha.

RESULTS AND DISCUSSIONS

This study was conducted on 120 middle-level managers from various manufacturing companies. Data collection was conducted through a questionnaire based on a Likert scale of 1–5. All instruments were tested for validity and reliability before further analysis. The validity test results showed that all indicators in the budgetary participation, managerial performance, and organizational commitment variables had loading factor values above 0.50, indicating that the instruments were usable. The instrument's reliability was also in the good category with Cronbach's Alpha values ranging from 0.78 to 0.89.

Moderated regression analysis (MRA) was used to examine the relationship between variables. The results showed that budgetary participation has a significant positive effect on managerial performance. This means that the higher the level of managerial participation in the budgeting process, the higher the manager's performance in carrying out planning, organizing, and controlling tasks. Furthermore, organizational commitment was shown to act as a moderating variable that strengthens this relationship. When organizational commitment is high, the effect of budgetary participation on managerial performance is stronger.

The interaction term between budgetary participation and organizational commitment showed a significance value below 0.05 and an increase in the regression coefficient. This indicates that organizational commitment not only directly influences managerial performance but also strengthens the relationship between budgetary participation and performance. Thus, the moderation model proposed in this study is statistically valid.

Table 1. Results of Moderated Regression Analysis (MRA)

Variables	Coefficient (β)	t-count	Sig. (p-value)
Constant	1,214	3,221	0.002
Budgetary Participation (BP)	0.358	4,612	0.000
Organizational Commitment (OC)	0.274	3,987	0.001
BP \times KO (Moderation Variable)	0.193	2,874	0.005
R-Square	0.542	–	–
Adjusted R-Square	0.528	–	–

The results in Table 1 show that the budgetary participation variable has a coefficient of 0.358 with a significance value of 0.000. This confirms that budgetary participation makes a positive and significant contribution to managerial performance. The coefficient indicates that each increase in budgetary participation will increase managerial performance by 0.358 points. This finding supports the theory that involving managers in the budgeting process can increase their sense of responsibility, understanding of organizational targets, and the quality of decision-making. When managers are given the opportunity to provide input on budget assumptions and projections, they are more motivated to align their personal goals with organizational goals, thereby improving their performance.

The organizational commitment variable also showed a significant effect with a coefficient of 0.274 and a p-value of 0.001. These results illustrate that managers with high levels of commitment demonstrate greater dedication, integrity, and task orientation. Organizational commitment influences how managers perceive their roles within the company, including how they interpret budget-related tasks. With strong commitment, managers not only carry out orders but are also motivated to actively contribute to the organization's success.

The interaction between budgetary participation and organizational commitment ($BP \times KO$) has a coefficient of 0.193 with a significance value of 0.005, indicating that organizational commitment acts as a moderating variable that strengthens the relationship between budgetary participation and managerial performance. This means that the effect of budgetary participation on performance will be stronger when managers have a high commitment to the organization. Under conditions of low commitment, budgetary participation may not provide optimal impact because managers only participate formally and do not have an intrinsic drive to achieve budget targets.

The R-Square value of 0.542 indicates that 54.2% of the variation in managerial performance can be explained by budgetary participation, organizational commitment, and the interaction between the two. This figure indicates a fairly robust and relevant model. Meanwhile, the Adjusted R-Square value of 0.528 indicates that the influence of the three variables remains significant even after adjustment for the sample size and the number of variables in the model. This model indicates that the combination of budgetary participation and organizational commitment is an effective approach in improving managerial performance.

These findings also align with previous studies that suggest that the effectiveness of budget participation is strongly influenced by psychological factors and the organizational context. Organizational commitment helps strengthen managers' internal motivation, enabling them to maximize their potential in carrying out managerial functions such as planning, monitoring, coordination, and decision-making. Furthermore, companies with a strong organizational culture and high levels of commitment tend to have a more collaborative and effective budgeting process.

Thus, this discussion emphasizes that companies cannot simply emphasize budgetary participation without considering organizational commitment. If participation is not accompanied by commitment, the budget process becomes a mere formality without significantly impacting the quality of managerial performance. Therefore, companies need to ensure that each manager has an adequate level of commitment through rewards, open communication, training, and creating a conducive work environment. In this way, budgetary participation can function optimally as a management control tool and as a driver of performance improvement.

The research results show that budgetary participation has a significant influence on managerial performance. This finding aligns with motivational theory and organizational behavior literature, which states that participation in the decision-making process, including budgeting, can increase a sense of ownership toward organizational goals and strategies. When managers are involved in determining resource allocation, they obtain more accurate information about operational conditions, resulting in more effective decisions and a positive impact on their work outcomes.

Organizational commitment has been shown to play a significant role as a moderating variable. Managers with high levels of commitment demonstrate emotional attachment and a sense of responsibility to their organization. Under these conditions, budgetary participation becomes more meaningful because managers not only participate formally but also psychologically engage in achieving organizational goals. Conversely, when commitment is low, budgetary participation may simply be a form of administrative compliance without significantly impacting performance improvement.

The interaction results indicate that organizational commitment strengthens the relationship between budget participation and performance. This means that companies need not simply increase manager participation in budget preparation but also build organizational commitment through a supportive work culture, transparent communication, appreciation for contributions, and career development. When the work environment is supportive, budget participation can be a strategic tool to enhance synergy between departments and drive better managerial performance.

Overall, the findings of this study confirm the importance of the combination of a participatory budgeting system and organizational commitment. These two factors are inseparable, as budget participation will only be effective if managers have an adequate level of commitment to the organization's vision and goals. Therefore, companies need to develop policies that focus not only on budget mechanisms but also on the psychological factors that influence manager behavior.

CONCLUSION

This study finds that budgetary participation positively and significantly impacts managerial performance by enhancing managers' sense of responsibility, goal alignment, and decision-making effectiveness, while organizational commitment also significantly boosts performance, with highly committed managers showing greater dedication. Notably, organizational commitment strengthens this relationship as a moderator, amplifying participation's effects at higher commitment levels. These results enrich management accounting literature by underscoring psychological variables' roles in budgeting and offer practical advice for organizations to adopt participatory budgeting, transparent communication, and loyalty-building rewards. For future research, scholars could incorporate variables like organizational justice, leadership style, or budget pressure to provide a more holistic understanding of budgetary participation's influence on performance.

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