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The Effect of Participation in Budgeting by Work Unit Managers and Budget Clarity on Managerial Performance with Internal Control as a Moderation Variable

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ABSTRACT

This study aims to examine the effect of managerial participation in budget preparation and budget goal clarity on managerial performance, with internal control as a moderating variable. The research was conducted at Universitas Langlangbuana (UNLA), Bandung. The population consisted of structural and managerial officials directly involved in budgeting and internal control processes. Using purposive sampling, 63 respondents were selected. Data were collected through questionnaires and analyzed using Partial Least Squares–Structural Equation Modeling (PLS-SEM). The results indicate that managerial participation in budget preparation and budget goal clarity have a positive effect on managerial performance. Furthermore, internal control moderates the relationship between managerial participation in budget preparation and managerial performance, as well as the relationship between budget goal clarity and managerial performance. These findings indicate that the effectiveness of budget participation and budget goal clarity in improving managerial performance depends on the quality of internal control within the organization. This study contributes to management accounting literature and provides practical implications for private higher education institutions by highlighting the importance of strengthening budgeting practices and internal control systems to improve managerial performance.

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INTRODUCTION

Managerial performance is one of the most crucial factors in an organization because improvements at this level will drive overall organizational performance. This includes the effectiveness of managers in carrying out core management functions, such as planning, organizing, implementing, and controlling. Managerial roles are not limited to decision-making but also involve directing resources to achieve the organization's strategic goals

In the context of educational institutions, improving managerial performance is achieved through the manager's ability to seize opportunities, identify problems, and implement adaptation processes appropriately. In private higher education institutions (PTS), optimal performance does not only reflect individual capacity but also directly impacts the achievement of the institution's strategic objectives. Therefore, capable managerial capacity is a determinant of the competitiveness and sustainability of educational institutions

Currently, the phenomena faced by PTS in Indonesia are increasingly complex, one of which is a significant decline in the number of new students. Data from the Higher Education Database (PDDIKTI) indicates fluctuations and a decrease in the number of registered students in West Java. In total, the number of students decreased from 161,305 in 2020 to only 138,428 in 2024.

Table 1. Students Registered According to the Form of the College in West Java

No	Tahun	Universitas	Institut	Sekolah Tinggi	Akademi	Akademi Komunitas	Politeknik	Jumlah	Selisih
1	2020	98.375	7.178	45.031	5.204	392	5.125	161.305	–
2	2021	102.607	6.808	40.391	4.618	116	6.172	160.712	593
3	2022	107.730	7.303	42.405	3.098	285	4.434	165.255	4.543
4	2023	96.558	9.761	29.070	3.307	195	5.026	143.917	21.338
5	2024	98.551	8.515	22.982	2.372	130	5.923	138.428	5.487

Source : Statistik Pendidikan Tinggi PDIKTI 2020-2024

The data in Table 1 shows the development of the number of registered students by the form of universities in West Java in the 2020–2024 period. In general, universities are the form of universities with the highest number of students each year, with the number increasing from 98,375 in 2020 to 107,730 in 2022, although it had decreased in 2023 and rose again in 2024. The institute has fluctuated, with a considerable increase in 2023 before declining again the following year. Meanwhile, high schools are showing a fairly sharp downward trend, from 45,031 students in 2020 to just 22,982 in 2024. Academies also continue to decline from year to year, as do community academies which are relatively small in number. The polytechnic has undergone unstable changes, but remains in the range of 4,000–6,000 students. Overall, the number of registered students has decreased from 161,305 in 2020 to 138,428 in 2024, with the largest decline occurring in 2023. This shows a trend of declining student participation in higher education in West Java in the last five years.

This decline in student participation over the last five years poses a serious challenge to the operational sustainability of PTS, which heavily relies on tuition fees. Besides the issue of student quantity, many PTS are also threatened with license revocation due to poor governance in legal and financial aspects. Some institutions do not even have a sustainable cash flow to guarantee long-term operations.

These governance issues are exacerbated by findings of manipulative practices, such as the inclusion of fictitious students and the misappropriation of scholarship funds. At the rectorate level, administrative and academic weaknesses are often found, reflecting the low managerial performance of campus leaders. Academic performance evaluations by LLDIKTI even found practices of buying and selling grades and issuing diplomas without a valid lecturing process

Weak managerial performance causes institutions to lose direction in ensuring educational quality and results in a lack of administrative transparency. Inability to develop strategic planning and manage financial resources are indicators of low management effectiveness. Without strong managerial performance, PTS will struggle to face external dynamics and maintain their academic reputation

At Universitas Langlangbuana (UNLA), budget preparation activities are an important process to ensure institutional goals are achieved. However, preliminary observations show that the level of manager participation in budget preparation is still uneven across work units. Some managers are actively involved, while others tend to only receive budget allocations without full contribution to the planning process

In addition to participation issues, the clarity of budget goals at UNLA is also considered suboptimal. Some managers feel that information regarding budget objectives, cost allocations, and performance indicators has not been conveyed in detail. This condition creates ambiguity in program implementation and impacts the variation of managerial performance within the university environment

Budgets should serve as a guideline for planning activities, allocating resources, as well as monitoring and evaluating work implementation. However, if the budgeting system is still conventional and only oriented toward spending without considering effectiveness, optimal performance will be difficult to achieve. Real budget participation is highly needed so that decisions reflect the needs of each work unit

Finally, although previous studies have examined the relationship between budget participation, budget goal clarity, and managerial performance, the findings remain inconsistent, particularly regarding the role of internal control as a moderating variable. Some studies suggest that greater participation and clearer budget goals improve managerial performance, while others indicate that these relationships may depend on organizational conditions and control mechanisms. This inconsistency creates a research gap concerning the extent to which internal control strengthens the effectiveness of budget participation and budget goal clarity in improving managerial performance, particularly in private higher education institutions.

This study is grounded in Agency Theory, which explains that budgeting and internal control mechanisms can reduce information asymmetry and align the interests of managers with organizational objectives. From this perspective, managerial participation in budget preparation provides managers with opportunities to contribute information and influence budget decisions, while budget goal clarity provides clear targets for managerial activities. Effective internal control is expected to strengthen these relationships by ensuring that budgeting processes are implemented appropriately, monitored, and aligned with organizational procedures.

Based on this theoretical perspective and the identified research gap, the conceptual framework of this study proposes that managerial participation in budget preparation and budget goal clarity positively influence managerial performance, while internal control strengthens the effects of both variables on managerial performance. Accordingly, this study aims to examine the effect of managerial participation in budget preparation and budget goal clarity on managerial performance at Universitas Langlangbuana (UNLA), with internal control serving as a moderating variable.

METHODS

The research method that will be used in this study is the quantitative method. Quantitative methods are research approaches that use numerical measurement and statistical analysis to collect, analyze, and interpret data. This method focuses on collecting data in the form of numbers, which are then processed using statistical techniques to conclude or test research hypotheses (Nugroho et al., 2021). Quantitative research is a research approach that focuses on the collection and analysis of numerically measurable data (Mahestu & Tantawi, 2023).

Data analysis was carried out using the Partial Least Square (PLS) method using SmartPLS software version 3. PLS is one of the methods of solving Structural Equation Modeling (SEM) which in this case is better than other SEM techniques. SEM has a higher level of flexibility in research that connects theory and data, and is able to perform path analysis with latent variables so it is often used by researchers who focus on the social sciences. Partial Least Square (PLS) is a fairly powerful method of analysis because it is not based on many assumptions. The data also does not have to be a normal multivariate distribution (indicators with category scales, ordinals, intervals to ratios can be used in the same model), the sample does not have to be large (Nugroho et al., 2021).

This study employed a quantitative research approach using a survey method. The research was conducted at Universitas Langlangbuana (UNLA), Bandung, with structural and managerial officials directly involved in the budget preparation and internal control processes as the unit of analysis. The population consisted of 75 structural and managerial officials at UNLA. The sampling technique used was purposive sampling, with the criteria that respondents were structural or managerial officials, were directly involved in budget preparation and internal control processes, and had held their current position for at least one year. Based on these criteria and the sample size determination, 63 respondents were selected as the research sample. Data were collected using a structured questionnaire measured on a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree).

The study examined four variables, consisting of two independent variables, one dependent variable, and one moderating variable. Managerial participation in budget preparation (X1) was operationalized as the extent of managers' involvement and influence in the budget preparation process, including participation in budget preparation and involvement in budget-related decision-making. Budget goal clarity (X2) refers to the extent to which budget objectives are clearly formulated, understandable, measurable, and accompanied by clear performance standards, time frames, priorities, and levels of difficulty. Managerial performance (Y) was measured based on managerial activities, including planning, investigation, coordination, organizing, and negotiation. Internal control (Z) was measured based on five dimensions of the COSO framework: control environment, risk assessment, control activities, information and communication, and monitoring activities. Each construct was measured using indicators developed from the relevant theoretical and empirical literature and operationalized into questionnaire items.

Data analysis was conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM). The analysis consisted of descriptive statistical analysis, measurement model assessment (outer model), and structural model assessment (inner model). The outer model was evaluated to assess the validity and reliability of the measurement instruments, while the inner model was used to examine the relationships among the research constructs and test the proposed hypotheses. The moderating effect of internal control was examined through interaction effects between internal control and each independent variable. The structural relationships tested in this study were managerial participation in budget preparation and budget goal clarity on managerial performance, as well as the moderating effects of internal control on both relationships.

Outer Model Assessment

The outer model assessment focuses on examining the relationships between observed indicators (questionnaire items) and their corresponding latent constructs (variables that cannot be measured directly, such as budget participation, managerial performance, or internal control). This assessment includes three key aspects:

Convergent Validity

Convergent validity evaluates whether the indicators associated with a construct are strongly correlated and effectively represent the same underlying concept. Two criteria are commonly applied:

1. Factor Loading

Factor loading reflects the strength of the relationship between an indicator and its latent construct. A loading value of 0.70 or higher is generally considered acceptable.

2. Average Variance Extracted (AVE)

AVE measures the proportion of variance in the indicators that is captured by the construct. An AVE value of at least 0.50 indicates that the construct explains more than half of the variance of its indicators (Hair et al., 2022).

Construct Reliability

Construct reliability assesses the internal consistency of indicators used to measure a latent variable. The commonly used reliability measures are:

1. Composite Reliability (CR)

Composite Reliability evaluates the overall consistency of a construct. A CR value of

0.70 or above indicates satisfactory reliability.

2. Cronbach's Alpha

Cronbach's Alpha measures reliability based on the intercorrelation among indicators. Values of 0.60 or higher are acceptable for exploratory studies, while values of 0.70 or higher are recommended for confirmatory research (Memon et al., 2021).

Discriminant Validity

Discriminant validity ensures that each construct captures a unique concept and is empirically distinct from other constructs. Three approaches are commonly employed:

1. Fornell-Larcker Criterion

The square root of the AVE of a construct should exceed its correlations with other constructs in the model.

2. Cross Loadings

Each indicator should demonstrate its highest loading on the construct it is intended to measure compared to all other constructs.

3. Heterotrait-Monotrait Ratio (HTMT)

An HTMT value below 0.85 indicates adequate discriminant validity (Henseler et al.2015).

Inner Model Assessment

The inner model assessment examines the structural relationships among latent constructs and evaluates the model's explanatory and predictive capabilities.

Coefficient of Determination (R^2)

The coefficient of determination (R^2) indicates the proportion of variance in the endogenous variable that can be explained by the exogenous variables. This value provides insight into the model's explanatory power regarding the dependent variable.

Path Coefficients and Significance Testing

Path coefficients represent the direction and magnitude of relationships among constructs. Their statistical significance is evaluated using the bootstrapping procedure with 5,000 resamples.

A relationship is considered statistically significant when:

- t-statistic ≥ 1.96, and
- p-value ≤ 0.05.

Mediation Analysis

Mediation analysis is conducted to determine whether a mediating variable transmits the effect of an independent variable to a dependent variable.

The analysis includes:

1. Indirect Effect

This assesses the influence of an exogenous construct on an endogenous construct through a mediator variable.

2. Sobel Test

The Sobel Test is employed to evaluate the significance of the mediation effect. A significant Sobel Test result indicates the presence of a valid mediating effect.

Model Evaluation

Effect Size (f^2) is used to determine the contribution of each predictor construct to the endogenous variable.

According to Hair et al.(2022), the interpretation of f^2 values is as follows:

- 0.02 = small effect
- 0.15 = medium effect
- 0.35 = large effect

This measure helps identify the practical impact of each construct within the model.

Predictive Relevance (Q^2)

Predictive relevance (Q^2) is assessed through the blindfolding procedure, which evaluates the model's capability to predict observed data.

The interpretation is:

- $Q^2 > 0$ indicates that the model possesses predictive relevance.
- $Q^2 \leq 0$ indicates a lack of predictive relevance.

Descriptive Statistical Test Results

Description of Respondent Answers Manager Participation Variables

Based on the results of the descriptive analysis of the Budget Participation variable, it can be concluded that the level of respondent participation in the budgeting process is in the high category with an average achievement of around 80.4% of the ideal score. This result indicates that most respondents have been actively involved in various stages of the budgeting process, starting from budget preparation, decision-making, monitoring and evaluation, to the communication process and receiving information related to the budget (Junior et al., 2023). This high level of participation indicates that the organization has provided sufficient space for employees to contribute to the budget management process, thereby encouraging the creation of a sense of ownership and responsibility for achieving organizational goals.

Overall, the results of this study indicate that budget participation within the organization has been well-functioning and received a positive response from respondents. The high level of involvement in decision-making, budget preparation, and budget monitoring and evaluation reflects strong participatory practices in budget management. However, the organization still needs to improve the effectiveness of information delivery and strengthen communication between work units so that the already high level of participation can be further optimized in supporting organizational performance and overall budget management effectiveness (Juwita & Jamaluddin, 2023).

Description of Respondent Answer Variable Budget Clarity

Based on the results of the descriptive analysis of the Budget Target Clarity variable, it can be concluded that the level of budget target clarity perceived by respondents is in the high category with an overall average of 3.96 or equivalent to 79.2% of the ideal score. These results indicate that budget targets in the organization are generally formulated clearly, directed, and can be understood by the parties involved in the budgeting process. Good budget target clarity will help budget implementers understand the objectives to be achieved so that program and activity implementation can run more effectively and efficiently.

Overall, the research results indicate that the clarity of budget targets within the organization has been well-established. High scores on almost all indicators reflect that budget targets have been formulated with clear objectives, defined performance indicators, focused priorities, definite timeframes, and a realistic level of difficulty (Arisandy & Nesrianti, 2022). However, the organization still needs to improve the specification and measurement of targets so that all budget components can be understood in greater detail and can serve as a more effective guideline in supporting the achievement of organizational goals.

Description of Managerial Performance Variable Respondent Answers

Based on the descriptive analysis of the Managerial Performance variable, the overall average was 3.92, equivalent to 78.4% of the ideal score, which is considered high. This result indicates that the respondents have performed their managerial functions well, including planning, investigation, coordination, evaluation, supervision, and negotiation.

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The high achievement in this variable indicates that the respondents' managerial abilities have supported the effective implementation of organizational tasks and responsibilities in achieving established goals.

Overall, the research results indicate that managerial performance within the organization is in the high category, as reflected in the respondents' ability to effectively carry out various management functions. High achievement in the aspects of negotiation, coordination, evaluation, supervision, investigation, and planning indicates that managers have sufficient competence in managing organizational resources and achieving established goals. However, improvements in the aspects of planning and investigation are still needed to ensure the quality of decision-making, the effectiveness of program implementation, and the achievement of organizational performance can be continuously improved.

Description of Internal Control Variable Respondent Answers

Based on the descriptive analysis of the Internal Control variable, an overall average score of 4.11 was obtained, equivalent to 82.2% of the ideal score, which is considered high. This result indicates that the organization's internal control system has been implemented well and is capable of supporting effective organizational governance. A high internal control score indicates that the organization has adequate oversight, risk control, communication, and monitoring mechanisms in place to support the achievement of organizational goals and minimize potential risks.

Overall, the research results indicate that internal control within the organization has been functioning well. This is reflected in the high achievement of all indicators used in the study. Monitoring indicators are the strongest aspect in supporting the effectiveness of internal control, while information and communication aspects still require attention and improvement. By strengthening communication and information dissemination, the organization is expected to be able to improve the quality of internal control overall, thereby supporting the achievement of organizational goals effectively, efficiently, transparently, and accountably.

Conversely, the research results show that budget goal clarity has no effect on managerial performance. Although budget goals are administratively rated high (average 3.96), they have not contributed significantly to performance. The specific and measurable indicators received relatively low scores, indicating that target details have not been fully internalized by the executors

Budget clarity often serves only as a formal guideline that does not influence work behavior if not followed by individual commitment. Without active involvement and a sense of ownership, clear goals alone are insufficient to drive managerial performance improvements. In many organizational practices, budget clarity is often regarded as a mere administrative aspect rather than an effective management control tool

Regarding the moderating role, internal control is proven capable of strengthening the influence of budget participation on managerial performance. With a high internal control average (4.11), particularly in the monitoring aspect (4.38), the participation process does not stop at preparation but is followed by strict supervision. This mechanism ensures that manager participation truly yields results aligned with organizational goals

From a contingency theory perspective, the effectiveness of a management system depends heavily on the fit between organizational variables and environmental conditions. Internal control functions as a situational factor that directs budget participation to remain accurate and minimize deviations. Strong control increases information reliability, making manager participation far more effective in boosting performance

However, internal control was found unable to moderate the relationship between budget goal clarity and managerial performance. Even though the control system is functioning well, it is not enough to "activate" the role of budget clarity if the primary variable itself lacks a strong influence from the start (Desyatama & Praptiestrini, 2026). Internal control cannot strengthen a relationship that essentially has not shown a direct impact on performance

This moderation failure is due to the nature of budget clarity, which tends to be formal-administrative and thus does not deeply influence managerial behavior. Furthermore, the lack of integration between the control system and the budget communication process results in target clarity not being utilized optimally in decision-making. Ultimately, performance is more heavily influenced by behavioral factors such as motivation and participation.

OUTER MODEL

To ensure that the measurement model used is reliable and reliable, an outer model test is used. The relationship between latent variables and their indicators will be explained in the outer model analysis. This measurement will be carried out based on the convergent results of the validity of the loading factor and the Average Variance Extracted (AVE). As previously known, the minimum AVE value limit that is declared valid is 0.5, while the loading factor has a value limit of 0.7. However, the value of 0.6 is still feasible because it has a variable with an AVE value of >0.5 (Hair et al., 2021). Based on the results of the outer model test, there are 3 indicators with a loading factor value of < 0.5, namely Z.15 (0.045), Z.16 (-0.52), and Z.17 (0.081), so that these indicators are eliminated from the model.

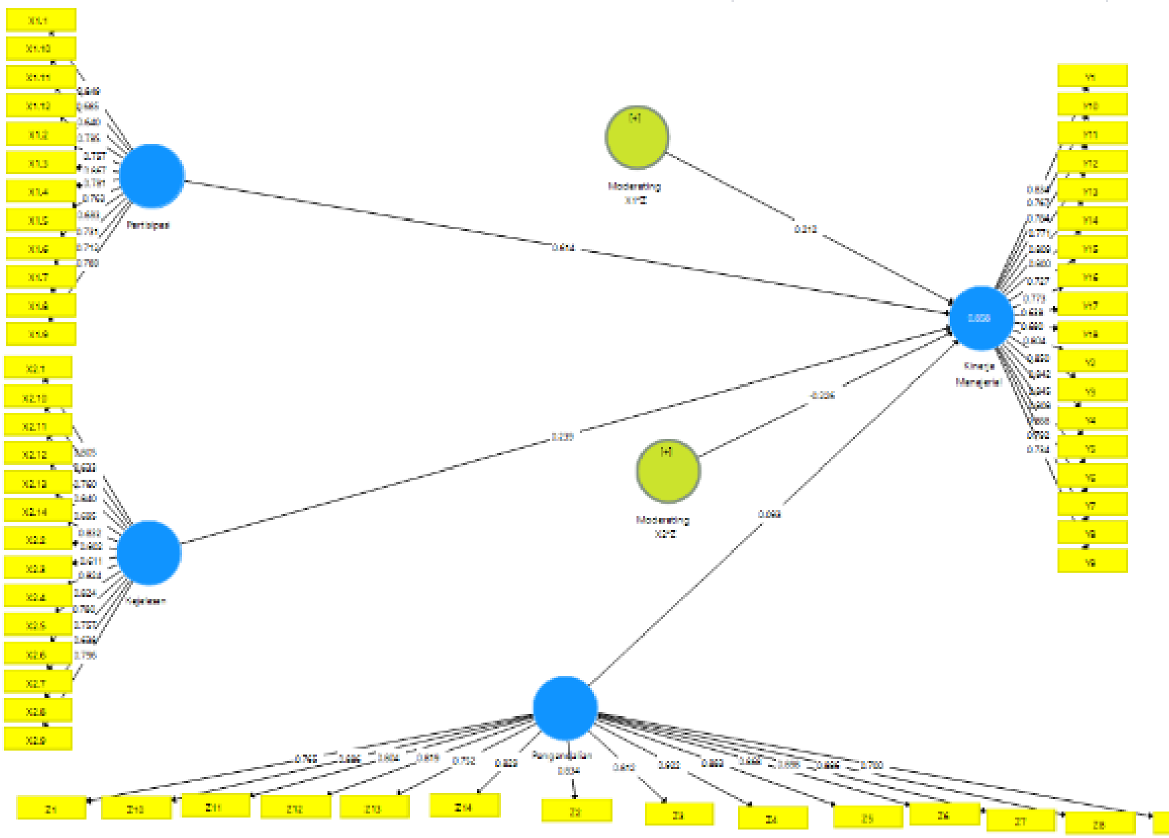

figure 1. ***Outer loading***
Source: Smart PLS Test Results, (2026)

VALIDITY TEST
CONVERGENT VALIDITY

Table 2. Convergent Validity

	Clarity X2	Performance Managerial (Y)	Moderating X2*Z	*Moderating* X1*Z	Participation X1	Control Z
X1 * Z			1.763			
X2 * Z				1.631		
X1.1					0.849	
X1.10					0.685	
X1.11					0.640	
X1.12					0.785	
X1.2					0.757	
X1.3					0.867	
X1.4					0.781	
X1.5					0.763	
X1.6					0.693	
X1.7					0.731	
X1.8					0.712	
X1.9					0.789	
X2.1	0.805					
X2.10	0.633					
X2.11	0.760					
X2.12	0.840					
X2.13	0.695					
X2.14	0.832					
X2.2	0.802					
X2.3	0.611					
X2.4	0.824					
X2.5	0.824					
X2.6	0.780					
X2.7	0.757					
X2.8	0.638					
X2.9	0.796					
Y1		0.834				
Y10		0.767				
Y11		0.784				
Y12		0.771				
Y13		0.809				
Y14		0.800				
Y15		0.727				
Y16		0.773				
Y17		0.638				
Y18		0.680				
Y2		0.804				
Y3		0.850				
Y4		0.842				

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Y5	**0.845**	
Y6	**0.808**	
Y7	**0.888**	
Y8	**0.792**	
Y9	**0.734**	
Z1		**0.765**
Z10		**0.886**
Z11		**0.804**
Z12		**0.819**
Z13		**0.752**
Z14		**0.829**
Z2		**0.834**
Z3		**0.812**
Z4		**0.922**
Z5		**0.883**
Z6		**0.868**
Z7		**0.898**
Z8		**0.886**
Z9		**0.700**

Source : Procesing Data (2026)

Based on the results of the convergent validity test by observing the loading factor value as seen in table 2, it is known that all indicators in this study have a loading factor value of >0.7. There are 6 indicators that have a value of <0.7, but these indicators can still be declared valid because the independent variable has an AVE value of >0.5. So it can be found that all indicators in the convergent validity test are declared valid (Hair et al., 2021)

AVERAGE VARIANCE EXTRACTED (AVE)

Table 3. Average Variance Extracted (AVE)

	Average Variance Extracted (AVE)
Clarity	**0.579**
Performance _Manajerial	**0.621**
Moderating _X2*Z	**1.000**
Moderating_ X1*Z	**1.000**
Participation	**0.573**
Control	**0.697**

Source : Procesing Data (2026)

An Average Variance Extracted (AVE) value higher than 0.5 indicates that each variable used in the study has been well conveyed as conveyed by Junior et al., (2023). Based on the results of the Average Variance Extracted (AVE) test for all variables in this study are above 0.5, it can be found that all variables used in this study are valid.

DISCRIMINANT VALIDITY

Table 4. Fornell-Larcker

	Clarity	Managerial Performance	Moderating X2*Z	Moderating X1*Z	Participa tion	Cont rol
Clarity	0.761					
Managerial Performance	0.862	0.788				
Moderating _X2*Z	-0.343	-0.413	1.000			
Moderating X1*Z	-0.390	-0.414	0.929	1.000		
Participation	0.880	0.901	-0.361	-0.424	0.757	
Control	0.871	0.833	-0.353	-0.390	0.857	0.83 5

Source: Smart PLS Test Results, (2026)

The results obtained from the Fornell-Larcker Criterion in table 4. show diagonally in the table above, which is the result of the square root of Average Variance Extracted (AVE), where in each column the diagonal value exceeds the value of each column. The budget clarity value is 0.761, managerial performance is 0.788, _X2*Z moderating is 1,000, X1*Z moderating is 1,000, budget participation is 0.757, and internal control is 0.835.

RELIABILITY TEST

Table 5. Reliability Test Results

Variabel	Cronbach's Alpha	Composite Reliability	Information
Clarity	0.943	0.950	Reliabel
Managerial Performance	0.964	0.967	Reliabel
Moderating X2*Z	1.000	1.000	Reliabel
Moderating X1*Z	1.000	1.000	Reliabel
Participation	0.931	0.941	Reliabel
Control	0.966	0.970	Reliabel

Source : Procesing Data (2026)

The results of the data test in table 4.8 show that the entire construct has Cronbach's Alpha and Composite Reliability values above 0.70. These results show that all variables in this study have a good level of internal consistency and meet the reliability criteria. Thus, the research instrument is declared reliable and feasible to be used for structural model testing at a later stage.

INNER MODEL

An inner model, otherwise known as a structural model, illustrates the relationship or strength of estimation between latent variables or constructs developed based on the underlying theory. This inner model is used as a structural model to predict causal relationships between latent variables (Hair et al., 2021).

R SQUARE

The R-Square (R^2) test is performed to assess how well the model can explain variations in dependent variables. The value of R^2 indicates the proportion of variance of dependent variables that can be explained by independent variables in the model.

Table 6. R Square

	R Square	***R Square Adjusted***
Performance Manajerial	0.858	0.845

Source: Hasil Uji Smart Pls, (2026)

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Based on the results of the Coefficient of Determination test, it is known that the value of R Square is 0.858. So it can be interpreted that the variables of managerial performance can be varied by the participation of the budget, budget clarity, and internal control of 85.5%.

UJI HYPOTHESIS

Table 7. Hypothesis test results

Hipotesis	*P Values*	Direction of Influence	Remarks
Participation -> Performance _Manajerial	0.001	+	H0 rejected H1 accepted
Clarity -> _Manajerial Performance	0.156		H0 rejected H1 accepted
Moderating X1*Z -> Performance _Manajerial	0.000	+	H0 rejected H3 accepted
Moderating X2*Z -> _Manajerial Performance	0.124		H0 accepted H3 rejected

Source : Procesing Data (2026)

The Effect of Budget Participation on Managerial Performance

The results of this study indicate that budget participation has a significant positive effect on managerial performance. Descriptive statistical analysis shows that budget participation is categorized as high, reflecting the active involvement of managers and structural officials in various stages of the budgeting process, including planning, decision-making, monitoring, and evaluation. Such involvement enables managers to communicate operational needs and challenges, resulting in more realistic and effective budgeting decisions.

Although the overall level of participation is high, the indicators related to information sharing and communication show relatively lower scores, suggesting opportunities for improvement in coordination and information exchange during the budgeting process. These findings support the view that managerial involvement in budgeting enhances organizational effectiveness by increasing responsibility, commitment, and ownership of organizational goals.(Ariska, 2021).

According to Goal-Setting Theory proposed by Locke and Latham, individuals who participate in setting goals tend to demonstrate stronger commitment to achieving them. Consistent with this theory, budget participation improves managers' understanding of organizational objectives, thereby contributing to better managerial performance. From the perspective of Contingency Theory, the relationship between budget participation and performance may be influenced by situational factors such as organizational commitment, culture, and control systems. Nevertheless, budget participation generally promotes better performance through improved information exchange and coordination.

The findings are consistent with previous empirical studies showing that budget participation positively influences managerial performance. Participation enhances motivation, improves the quality of information available for decision-making, and strengthens organizational commitment. Furthermore, studies in public sector organizations and healthcare institutions demonstrate that participative budgeting contributes to managerial performance both directly and indirectly through perceptions of fairness and job satisfaction.

Overall, budget participation plays a strategic role in improving managerial performance by enhancing motivation, clarifying organizational objectives, and supporting better decision-making processes. Therefore, organizations should encourage active managerial involvement in budgeting activities to achieve optimal performance outcomes.

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The Effect of Budget Clarity on Managerial Performance

The hypothesis testing results indicate that budget clarity does not have a significant effect on managerial performance. This finding suggests that, although budget objectives are generally clear, they have not been able to contribute significantly to improving managerial performance. Descriptive statistics show that budget clarity is categorized as high, with an average score of 3.96. However, the indicator related to specific and measurable objectives received a relatively lower score, indicating that budget targets, performance measures, and achievement indicators may not be fully understood or internalized by budget implementers.

These findings imply that budget clarity functions primarily as a formal guideline and does not necessarily influence managerial behavior unless accompanied by active involvement and commitment in the budgeting process. In line with Goal-Setting Theory, clear objectives will only improve performance when individuals understand, accept, and commit to achieving those objectives. Without active participation, budget clarity alone is insufficient to enhance managerial performance.

The results are consistent with previous studies showing that budget clarity does not significantly affect organizational performance or performance accountability. The relationship between budget clarity and managerial performance is often influenced by other factors, such as management control systems and individual behavioral characteristics. Therefore, budget clarity does not always have a direct impact on managerial performance.

Several factors may explain this finding. First, limited managerial involvement in budget preparation may reduce a sense of ownership toward established targets, preventing budget objectives from being optimally internalized. Second, managerial performance is more strongly influenced by behavioral factors such as motivation, participation, and organizational commitment than by budget clarity alone. Third, in practice, budget clarity is often viewed as an administrative requirement rather than an effective management control tool. Finally, from a management control system perspective, budget clarity requires support from internal controls, communication processes, and performance evaluation mechanisms to positively influence managerial performance.

Overall, the findings suggest that budget clarity alone is insufficient to improve managerial performance. Its effectiveness depends on supporting factors, including managerial participation, organizational commitment, adequate control systems, and a comprehensive understanding of organizational objectives.

The Effect of Budget Clarity on Managerial Performance with Internal Control Moderation

The hypothesis testing results indicate that internal control does not moderate the relationship between budget clarity and managerial performance. Although the internal control variable is categorized as high, with an average score of 4.11, the information and communication indicator received a relatively lower score. This finding suggests that the existence of an internal control system is insufficient to make budget clarity a significant factor in improving managerial performance. In other words, budget clarity remains ineffective in enhancing performance, both directly and when combined with internal control, indicating that internal control is unable to strengthen or “activate” the role of budget clarity in influencing managerial performance.

The results are consistent with previous studies showing that internal control cannot moderate the relationship between budget-related variables and performance. This condition indicates that budget clarity is not a dominant factor in explaining variations in managerial performance within the research context. Consequently, when internal control is introduced as a moderating variable, the resulting effect remains insignificant because it cannot strengthen a relationship that is already weak or non-significant.

From a theoretical perspective, management control systems, including internal control, are more effective when supported by other factors such as participation and individual involvement. If the primary variable, namely budget clarity, does not have a strong influence on performance, internal control is unlikely to generate a significant moderating effect. Furthermore, according to the COSO framework, the primary objectives of internal control are to ensure operational effectiveness, reliable reporting, and regulatory compliance, rather than directly improving managerial performance when budget clarity itself lacks a significant effect.

Several factors may explain these findings. First, budget clarity tends to be formal and administrative in nature, limiting its influence on managerial behavior and reducing the possibility of being strengthened by internal control. Second, internal control primarily serves monitoring and supervisory functions rather than enhancing the understanding or utilization of budget clarity. Third, inadequate integration between internal control systems and budget communication processes may prevent budget clarity from being optimally used in managerial decision-making. Finally, from an organizational behavior perspective, managerial performance is more strongly influenced by factors such as participation, motivation, and organizational commitment than by budget clarity alone.

Overall, the findings suggest that internal control is unable to moderate the effect of budget clarity on managerial performance because budget clarity itself does not have a sufficiently strong influence on performance, and managerial outcomes are more dependent on behavioral and organizational factors.

RESULTS AND DISCUSSION

The research results indicate that budget participation significantly influences managerial performance within UNLA. Based on descriptive statistics, this variable falls into the high category (average 4.02), signifying that structural officials have been actively involved from the preparation stage through to budget evaluation. This involvement allows managers to convey information and the needs of their respective work units, making budget decisions more realistic

Although participation is generally high, indicators regarding the level of information received and communication still require improvement. However, strategically, manager involvement in the budget process remains a key factor in enhancing organizational effectiveness. Participation is not merely a technical execution but an important instrument for increasing responsibility and commitment toward achieving organizational targets

Viewed from the perspective of goal-setting theory, individuals involved in goal setting tend to have higher commitment. These findings confirm that participation in budget preparation at UNLA increases understanding of organizational goals. This aligns with the view that such involvement clarifies the objectives to be achieved, thereby encouraging more optimal managerial performance

Empirically, this study is consistent with previous research stating that budget participation drives work motivation and improves information quality. Through participation, subordinates can provide relevant input based on operational conditions in the field. This not only enhances performance technically but also psychologically through perceptions of fairness and job satisfaction

CONCLUSION

Based on the research findings and discussion regarding the effect of budget participation and budget goal clarity on managerial performance, with internal control as a moderating variable, it can be concluded that budget participation has a positive effect on managerial performance, indicating that greater managerial involvement in the budgeting process enhances performance by providing opportunities to contribute to decision-making, thereby strengthening managers' understanding, responsibility, and commitment to achieving organizational objectives. In contrast, budget goal clarity does not have a significant effect on managerial performance, suggesting that clear budget targets alone are insufficient to directly improve managerial performance and may function primarily as formal guidelines without substantially influencing managerial behavior in the absence of active participation in the budgeting process. Furthermore, internal control moderates the relationship between budget participation and managerial performance, indicating that an effective internal control system strengthens the positive effect of budget participation by ensuring that the budgeting process and its implementation remain aligned with organizational plans and objectives. However, internal control does not moderate the relationship between budget goal clarity and managerial performance, indicating that even with an effective internal control system, budget goal clarity does not significantly influence managerial performance. Therefore, budget participation appears to be a more important factor in improving managerial performance, while budget goal clarity does not demonstrate a significant direct or moderated effect in the context of this study.

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