

## The Role of Organizational Commitments in Improving Managerial Performance Affected by Budgeting Participation



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**ABSTRACT:** This study aims to examine the effect of Participation in Budgeting on Managerial Performance and the effect of Participation in Budgeting on Managerial Performance through Organizational Commitment as a moderating variable. This study uses the Moderated Regression Analysis (MRA) method. This research was conducted on structural officials at the Malang City Government Service. The sample in this study amounted to 184 respondents using the proportional random sampling technique. Based on the test results, it can be concluded that participation in budgeting has a significant effect on managerial performance and organizational commitment is able to moderate or strengthen the relationship between the influence of participation in budgeting on managerial performance.

**KEYWORDS:** Participation in Budgeting, Managerial Performance, Organizational Commitment.

### I. INTRODUCTION

One of the governance arrangements refers to the Government Regulation of the Republic of Indonesia Number 18 of 2016 concerning Guidelines for the Organization of Regional Apparatuses to improve development and community services in an efficient and effective manner, the Malang City Government stipulates Malang City Regional Regulation Number 7 of 2016 concerning the Establishment and Structure of Regional Apparatuses. Regions as implementing elements of the Malang City Government. One of the implementing elements is the Department. To realize a government that is able to carry out its functions and duties properly, it is necessary to put one of the principles of good governance as stated in Law Number 28 of 1999, namely the principle of accountability. The principle of accountability is the principle that determines that every activity and the final result of the activities of state administrators must be accountable to the community or the people as the highest sovereignty of the state in accordance with the provisions of the applicable laws and regulations. One of these accountability is manifested in the form of the Government Agency Performance Accountability System (SAKIP).

Government Agency Performance Accountability System (SAKIP) is the implementation of performance management in the public sector that is in line and consistent with the implementation of bureaucratic reform, which is oriented towards achieving outcomes and efforts to get better results. According to the Department of Industry and Trade of West Sumatra Province (2021) SAKIP has a very strategic role in efforts to improve governance, namely as a tool to improve policies and encourage government agencies to innovate in designing programs and activities. Furthermore, SAKIP should also be used as a basis for providing rewards and punishments that can be linked to individual performance.

Budget is a process of allocating limited resources to meet unlimited needs (Ikhsan, 2017). While the Budget Participation in the public sector budget shows the extent of participation of local government officials in understanding the budget proposed and made by their work units and the influence of the responsibility center on their budget (Utami, 2017). In the budgeting process, you should pay attention to various aspects related to various behavioral problems of employees who will do their work based on the budget that has been prepared. This can be done by involving managers in the budgeting process. The participatory approach is the most effective approach in budgeting, because with the cooperation and interaction between top management and middle and lower level management, it will produce a budget that really gets support from both parties, thus creating a strong commitment to implement it, and the effectiveness of budget implementation will be realized in accordance with organizational goals. Therefore, participation in budgeting is considered an approach that can improve managerial performance.

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Research on budgetary participation and its effect on managerial performance is one area of research that experiences many differences, empirical evidence provides varied and inconsistent results. In several studies such as those conducted by Moheri (2015), Yunianto (2015), Situmeang (2017), Lathifah (2021), Wibawa (2021) and Yunus (2021) reveal that there is a positive and significant influence between participation in budgeting on performance managerial. Different results are shown by Medhayani and Suardana (2015), Karim (2021) that participation in budgeting has no effect on managerial performance.

Kaswan (2017) revealed that organizational commitment is a measure of employees' willingness to stay with a company in the future. Organizational commitment is a condition where employees are very interested in the goals, values, and goals of the organization. Furthermore, organizational commitment means more than just formal membership, because it includes an attitude of liking the organization and a willingness to put forth a high level of effort for the benefit of the organization in order to achieve goals (Steers & Porter, 2011). Budgeting participation by managers who have high organizational commitment will lead to an increase in managerial performance (Sardjito and Muthaher, 2007).

Mauliza (2022), Purnamasari (2017) and Wiratno (2016) show that organizational commitment is able to moderate the relationship between the influence of participation in the budget on managerial performance. While Cantika (2021), Christy (2021), Karim (2021) and Rosnaena (2015) in their research show that organizational commitment is not able to moderate the relationship of the influence of participation in the budget on managerial performance.

## **II. LITERATUR REVIEW**

### **Organizational Commitment**

Organizational commitment is a condition where employees are very interested in the goals, values, and goals of the organization. Furthermore, organizational commitment means more than just formal membership, because it includes an attitude of liking the organization and a willingness to put forth a high level of effort for the benefit of the organization in order to achieve goals (Steers & Porter, 2011). Kreitner and Kinicki (in Kaswan 2017) state that organizational commitment reflects how individuals identify with the organization and are bound by its goals.

### **Managerial Performance**

Ghozali (2005) defined performance as a description of level of achievement of the implementation of an activity in realize the company's goals, objectives, vision and mission as stated in the formulation of a company's strategic scheme. According to Simanjuntak (2018) managerial performance is the ability of managers to manage all the resources owned by the company in order to obtain business funds in the short and long term.

### **Public Sector Budget**

Mardiasmo (2009) the public sector budget is an instrument of accountability for the management of public funds and in implementing programs it is financed using public money. Marsudi, (2001) which states that the exchange of information makes each manager will obtain information about work. Therefore, budgetary participation plays such an important role in improving managerial attitudes and performance.

## **III. METHOD**

### **Types of Research**

This type of research with quantitative research methods aims to test the established hypothesis. The quantitative method is in the form of numbers derived from measurements using a scale on the variables in the study. The data obtained are then processed into the form of statistical analysis to test hypotheses that explain the relationship between variables. And also by using Moderated Regression Analysis (MRA) to test the relationship between the independent variable and the dependent variable which is strengthened or weakened by the presence of a moderating variable.

### **Population and Sample**

The population in this study were Structural Officials at the Malang City Government Service, the total population determined in this study was 342 people. The sample in this study was 184 respondents with sampling in this study using the probability sampling method, with the proportional random sampling technique, namely the way of taking samples from members of the population using a random method without regard to the strata in the population.

### **Analysis Techniques**

Moderated Regression Analysis (MRA) is a special application of linear multiple regression where the regression equation contains an interaction element (multiplication of two or more independents) which aims to determine whether the moderating variable will strengthen or weaken the relationship between the independent variable and the dependent variable (Ghozali, 2016).

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Moderated Regression Analysis (MRA) is used to determine whether the organizational commitment variable can strengthen or weaken the relationship between participation in budgeting and managerial performance.

### IV. RESULTS AND DISCUSSION

#### Interaction Test or Moderated Regression Analysis (MRA)

*Moderated Regression Analysis* (MRA) is a special application of linear multiple regression where the regression equation contains an interaction element (multiplication of two or more independents) which aims to determine whether the moderating variable will strengthen or weaken the relationship between the independent variable and the dependent variable. The results of this test were conducted to determine how much organizational commitment variable affects or strengthens and weakens the relationship between the two variables, namely the participation variable in budgeting and managerial performance variables.

**Table 1. Regression Equation Model 1 Participation in Budgeting (X) on Managerial Performance (Y)**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	20,097	1,239		16,227	.000		
Budgeting Participation	.155	.050	.225	3.113	.002	1,000	1,000

a. Dependent Variable: Managerial Performance

Based on the results of the study in table 4.14, it can be seen that the significant value of the participation variable in budgeting (X) is  $0.002 < 0.5$ . So it can be concluded that the regression equation model 1 with the participation variable in budgeting (X) has a significant effect on managerial performance (Y).

**Table 2. Coefficient of determination Equation 1**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.225a	.051	.046	2,396

a. Predictors: (Constant), Participation in Budgeting

From the table above, it can be seen that the correlation coefficient (R) of 0.051 means that there is a strong relationship between participation in budgeting (independent variable) and managerial performance (dependent variable). The coefficient of determination of Adjusted R Square of 0.046 means that the contribution of participation in budgeting (independent variable) affects managerial performance (dependent variable) by 7.3% while the remaining 92.7% is influenced by variables outside this study.

**Table 3. Regression Equation Model 2 Organizational Commitment (Z) moderates the effect of Participation in Budgeting (X) on Managerial Performance (Y)**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	41,440	7,996		5.183	.000		
Budgeting Participation	-.794	.362	-1.155	-2.192	.030	.018	54,480

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Organizational Commitment	-.896	.337	-1,135	-2.661	.008	.028	35,707
Moderation	.039	.015	2,335	2,696	.008	.007	147,191

a. Dependent Variable: Managerial Performance

Based on the test table above, it can be seen that the moderating variable is the result of the multiplication or interaction between the participation variable in budgeting (X) and the organizational commitment variable (Z) which describes the moderating effect of organizational commitment on the relationship between participation in budgeting and managerial performance (Y). The results of the SPSS output are known that the results of the interaction or moderating variable with a significant level of  $0.008 < 0.05$ , which means that the participation variable in budgeting (X) moderates the organizational commitment variable (Z) has a significant effect on the managerial performance variable (Y).

**Table 4. Coefficient of Determination of Equation 2**

### Model Summary

Model	R	R Square	Adjusted Square	R Std. Error of the Estimate
1	.297a	.088	.073	2,362

a. Predictors: (Constant), Moderation, Organizational Commitment, Budgeting Participation

From the table above, it can be seen that the correlation coefficient (R) of 0.088 means that there is a strong relationship between the moderated independent variable and the dependent variable. The coefficient of determination of Adjusted R Square of 0.073 means that the contribution of participation in budgeting (independent variable) which has been moderated by organizational commitment variable affects managerial performance (dependent variable) by 7.3% while the remaining 92.7% is influenced by variables outside this study.

### Hypothesis test

**Table 5. Influence between Variables**

Effect Between Variables	Path Coefficient	t-statistics	Sig.t
Participation in Budgeting - Managerial Performance	0.225	3.113	0.002
Participation in Budgeting – Managerial Performance through Organizational Commitment	0.297	2,696	0.008

### The effect of participation in budgeting on managerial performance

The results of testing the hypothesis about the effect of participation in budgeting on managerial performance resulted in a t-statistical value of 3.113 with a significant level of 0.002. Because the significance is  $< 0.05$  and the tcount is  $3.113 > t$  table 1.972941, it can be concluded that the hypothesis of participation in budgeting on managerial performance is acceptable. This means that the higher the participation in budgeting, the higher the level of managerial performance with an increase in value of 0.225. Based on the results of the analysis in this study, it can be seen that the participation variable in budgeting has a significant effect on managerial performance at the Malang City Government Service. Based on the results of the analysis, it can be explained that with the involvement of structural officials of the Malang City Government Office related to their participation in budgeting, it will encourage these structural officials to be responsible for the tasks carried out so that they will improve their performance. So it can be concluded that the higher the participation in budgeting, the higher the managerial performance. These results are consistent with research conducted by Ahmad and Fatima (2008) which states that managers in public sector organizations who actively participate in the budgeting process will be motivated to improve their performance. The results of this study are supported by previous research conducted by Lathifah (2021), Wibawa (2021), Situmeang (2017), Yunianto (2015), and Moheri (2015) which state that participation in budgeting has a significant effect on managerial performance. The results of this study are also not in line with the research of Suardana (2015), Karim (2021) which states that participation in budgeting does not affect managerial performance.

### The Effect of Participation in Budgeting on Managerial Performance with Organizational Commitment as a Moderating Variable

Based on table 4.19, it is known that the indirect effect of participation in budgeting on managerial performance through organizational commitment as a moderating variable has a total coefficient value of  $0.297 > 0.225$ . These results indicate that the organizational commitment variable is able to moderate the effect of participation in budgeting on managerial performance.

Based on the results of the analysis in this study, it can be seen that the organizational commitment variable is able to moderate the influence of participation in budgeting on managerial performance at the Malang City Government Service. Based on the results of the analysis, it can be explained that the structural officials of the Malang City Government Service have a high commitment to the organization where they work. High organizational commitment makes structural officials pay more attention to the continuity of the organization and tries to make the organization a better direction, so that with high commitment the possibility of managerial performance will increase. On the other hand, structural officials with low commitment will be concerned with themselves or their groups. Divides commitment into two, namely internal commitment and external commitment. Internal commitment is a commitment that comes from employees to complete various tasks, responsibilities and authorities based on their reasons and motivations. External commitment is formed by the work environment, which arises because of demands for the completion of tasks and responsibilities that must be completed by employees.

The high organizational commitment possessed by structural officials in carrying out activities and their participation in budget preparation will improve their managerial performance to achieve the budget targets that have been set. The strong belief that the organization has in the values and goals achieved by the organization affects its high participation in the budget for managerial improvement. This is because the participation of the budget in the organization causes members of the organization to feel that they are useful for the company or organization. Therefore, they will try to achieve the goals that have been set by the organization so that managerial performance will also increase. The results of this study are supported by the results of previous studies conducted by Mauliza (2022), Purnamasari (2017), and Wiratno (2016) which states that organizational commitment is able to moderate the effect of participation in budgeting on managerial performance. The results of this study are also not in line with the research conducted by Cantika (2021) and Christy (2021) which stated that organizational commitment was not able to moderate the effect of participation in budgeting on managerial performance.

## V. CONCLUSIONS

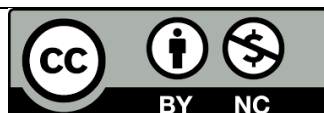
Participation in budgeting has a positive and significant effect on managerial performance. So it can be concluded that the higher the level of participation in budgeting, the higher the managerial performance, on the contrary, the lower the level of participation in budgeting, the lower the managerial performance. Organizational commitment is able to moderate or strengthen the relationship between the influences of participation in budgeting on managerial performance. So it can be concluded that the high organizational commitment possessed by structural officials in carrying out activities and their participation in budget preparation will improve their managerial performance to achieve the budget targets that have been set.

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