

Budget Participation, Budget Goal Clarity, and Organizational Performance: The Mediating Role of Organizational Commitment in the Public Sector

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ABSTRACT: This study explores how budget participation and budget goal clarity influence organizational performance, while examining the mediating role of organizational commitment. The research was conducted at the National Narcotics Agency (BNN) of South Sumatra Province, Indonesia, a public institution engaged in drug prevention and eradication efforts. The study applied a quantitative survey method involving 110 employees who were directly associated with budgeting and planning activities. Data analysis was performed using the Partial Least Squares–Structural Equation Modeling (PLS-SEM) approach. The results show that budget participation does not directly contribute to improve organizational performance. This condition may occur because the budgeting mechanism within the institution is still largely characterized by a top-down system, limiting employees' influence in decision-making processes. Even so, participation in budgeting was found to indirectly improve organizational performance through stronger organizational commitment. In contrast, budget goal clarity demonstrated both direct and indirect positive effects on organizational performance. The findings further indicate that greater employee involvement and well-defined budget objectives are able to strengthen organizational commitment, which subsequently supports better organizational outcomes. These results emphasize the importance of organizational commitment in enhancing the effectiveness of budgeting practices within public sector organizations. From a theoretical standpoint, this study extends the discussion of public sector performance management by integrating Agency Theory and Goal-Setting Theory to explain how budgeting practices are associated with organizational performance. In practical terms, the study suggests that public institutions should provide broader opportunities for employee involvement in budgeting activities while ensuring that budget goals are communicated clearly in order to foster stronger commitment and improve organizational performance.

KEYWORDS: Budget Participation; Budget Goal Clarity; Organizational Commitment; Organizational Performance; Public Sector; PLS-SEM.

I. INTRODUCTION

Organizational performance in the public sector represents the extent to which an institution is able to achieve its strategic objectives through effective and efficient utilization of resources. In the context of performance-based management, performance is not merely reflected in administrative compliance or budget realization, but in the achievement of outputs and outcomes that create public value (Mahmudi, 2010; Van Dooren et al., 2015). Thus, performance becomes a multidimensional construct that integrates planning, implementation, and evaluation within public organizations. In line with this perspective, performance-based budgeting has been introduced as a mechanism to align financial planning with organizational goals. Ideally, budget allocation should serve as an instrument to support the achievement of measurable performance goals (Robinson & Brumby, 2005). However, in practice, many public sector organizations still emphasize budget absorption as a primary performance indicator, while the quality of outcomes remains relatively underexplored. This imbalance indicates that budget realization does not always correspond to improved organizational performance, reflecting inefficiencies in resource utilization. The issue is particularly relevant in the context of drug prevention and eradication programs in South Sumatra Province. Data from the National Narcotics Agency (BNN) and LIPI (2020) indicate that South Sumatra Province ranks second nationally in terms of drug abuse prevalence, highlighting a critical challenge in achieving program effectiveness.

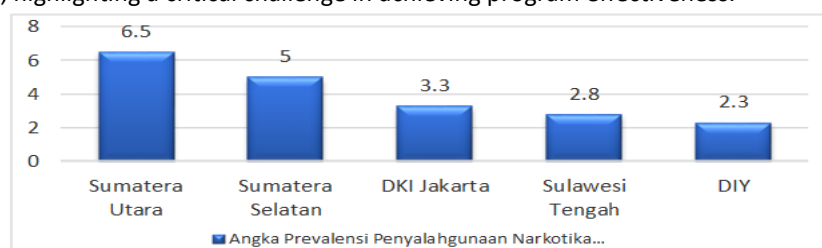


Figure 1. Drug Abuse Prevalence Rates

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Despite the allocation of significant budgets and implementation of various programs, the persistence of high prevalence rates suggests that organizational performance has not been fully optimized. This phenomenon points to potential weaknesses in budget planning, goal clarity, and program execution.

Within the budgeting framework, budget participation and budget goal clarity are widely recognized as key factors influencing organizational performance. Budget participation enables employees to contribute to the budgeting process, thereby improving information accuracy and fostering a sense of ownership (Chong & Chong, 2002; Govindarajan, 1986). Meanwhile, budget goal clarity ensures that goals are clearly defined and understood, reducing ambiguity and enhancing motivation (Djalil et al., 2020; Locke & Latham, 2020).

From a theoretical perspective, this study integrates Agency Theory and Goal-Setting Theory. Agency Theory explains how information asymmetry and conflicts of interest between principals and agents may lead to inefficiencies (Eisenhardt et al., 1989; Jensen & Meckling, 1976), while Goal-Setting Theory emphasizes the importance of clear and specific goals in improving performance (Locke & Latham, 2002). Additionally, organizational commitment is considered a key mediating variable, as employees who are involved in budgeting and understand organizational goals tend to exhibit stronger commitment, which positively influences performance (Meyer & Allen, 1991; Mowday et al., 1982).

Although the topic has been widely examined in prior research, certain research gaps are still evident. First, empirical findings on the relationship between budget participation and organizational performance are still inconsistent, with some studies reporting significant positive effects (Djalil et al., 2020; Hutama & Yudianto, 2019; Supriyono, 2004; Yahya, 2008), while others found weak or insignificant direct effects (Chong & Chong, 2002; Setyarini & Ambarriani, 2014; Syahputra, 2014), indicating the potential importance of mediating variables such as organizational commitment. In addition, prior studies generally examined budget goal clarity separately as a predictor of performance (Jawadi et al., 2016; Wijayanti & Rahmawati, 2021) or jointly with participation without integrating organizational commitment in one comprehensive model. Furthermore, most previous studies focused on local governments, regional agencies, or private sector organizations, with limited attention to strategic institutions such as National Narcotics Agency (BNN), where performance is directly related to Narcotics prevention, law enforcement, rehabilitation, and public protection. Therefore, this study addresses these gaps by examining the mediating role of organizational commitment in the relationship between budgeting practices and organizational performance within the specific context of BNN.

Drawing upon the theoretical framework and the research gaps highlighted in previous literature, this study aims to examine the effect of budget participation and budget goal clarity on organizational performance, both directly and indirectly through organizational commitment. This study is important because it offers a research novelty by integrating budget participation and budget goal clarity within a single structural model while positioning organizational commitment as a mediating variable in the context of a strategic public institution. Previous studies have generally examined these relationships separately, focused on local governments, or emphasized private sector organizations, whereas limited attention has been given to vertically structured government agencies with national strategic functions. This research is expected to contribute to the development of public sector performance management literature and provide practical insights for improving budgeting effectiveness in government institutions.

II. LITERATURE REVIEW

A. Agency Theory

Agency Theory describes an organizational relationship in which decision-making authority is delegated from principals to agents. In this relationship, agents are expected to act in the best interest of principals; however, differing objectives and unequal access to information often create inefficiencies (Jensen & Meckling, 1976). In public sector organizations, this condition is reflected in the interaction between policymakers and budget implementers, where operational actors typically possess more detailed information than top management.

Such information asymmetry may lead to opportunistic behavior, including the creation of budgetary slack or suboptimal allocation of resources (Eisenhardt, 1989). To reduce these risks, organizations implement governance mechanisms such as transparency, monitoring systems, and participatory approaches. In this regard, budget participation serves as a strategic instrument to improve information flow, align interests, and ultimately enhance organizational performance (Govindarajan, 1986).

B. Goal-Setting Theory

Goal-Setting Theory emphasizes that clearly defined and challenging goals are essential drivers of individual and organizational performance. Goals influence behavior by directing attention, increasing effort, and encouraging persistence in task completion (Locke & Latham, 2002). The effectiveness of goals depends on their clarity, specificity, and the degree of commitment individuals have toward achieving them.

In budgeting systems, budget goals function as formal representations of organizational goals. When these goals are articulated in a clear and measurable manner, employees are better able to understand expectations and align their activities accordingly. Conversely, vague or ambiguous goals may lead to confusion, reduced motivation, and ineffective execution (Kenis, 1979). Therefore, budget goal clarity is a critical component in ensuring the success of performance-based budgeting systems.

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C. Budget participation

Budget participation refers to the involvement of employees in the formulation and determination of budget plans. This involvement allows individuals at different organizational levels to contribute information, express opinions, and influence budget decisions. Such participation improves the quality of planning by incorporating operational insights that may not be accessible to top management (Chong & Chong, 2002).

In addition to improving decision accuracy, participative budgeting also generates behavioral benefits. Employees who are involved in budgeting processes tend to develop a stronger sense of ownership and perceive greater fairness within the organization. These perceptions enhance motivation and trust, which can positively affect performance outcomes (Maiga & Jacobs, 2007). However, prior studies indicate that the direct relationship between budget participation and performance is not always consistent, suggesting the presence of mediating variables such as organizational commitment (Noor & Othman, 2012; Tahar & Sofyani, 2020).

D. Budget goal clarity

Budget goal clarity reflects the extent to which organizational goals are communicated in a clear, specific, and understandable manner. Clear goals reduce uncertainty and provide a framework for guiding employee behavior toward desired outcomes (Locke & Latham, 2002).

Empirical research demonstrates that clarity in budget goals enhances role understanding and facilitates better coordination among organizational members (Djalil et al., 2020). When employees clearly understand what is expected, they are more likely to allocate effort efficiently and achieve performance goals. In contrast, unclear goals may lead to misinterpretation and ineffective execution of tasks (Hutama & Yudianto, 2019). Therefore, budget goal clarity is considered a key determinant of organizational performance.

E. Organizational Commitment

Organizational commitment refers to the psychological bond between employees and their organization, which influences their willingness to contribute to organizational success. Meyer and Allen (1991) conceptualize commitment into three dimensions: affective commitment (emotional attachment), continuance commitment (cost of leaving), and normative commitment (sense of obligation).

In budgeting contexts, budget participation and budget goal clarity are expected to strengthen commitment by increasing employees' involvement and understanding of organizational direction. Employees who feel engaged and informed are more likely to develop stronger commitment, which leads to higher levels of effort and improved performance (Mowday et al., 1982). Thus, organizational commitment acts as a critical behavioral mechanism linking managerial practices to performance outcomes. Organizational commitment serves as a mediating variable in the relationship between budget participation, budget goal clarity, and organizational performance, as employees who actively participate in budgeting processes and clearly understand organizational goals tend to develop stronger commitment, which subsequently enhances organizational performance.

Organizational Performance

Organizational performance represents the degree to which an organization achieves its objectives efficiently and effectively. In the public sector, performance extends beyond financial indicators to include the achievement of outputs, outcomes, and broader societal impacts (Mahmudi, 2010; Van Dooren et al., 2015).

As the dependent variable in this study, organizational performance is important because it reflects the final outcome of managerial processes, policy implementation, and the effective utilization of public resources. High organizational performance indicates that government institutions are capable of transforming budgets, human resources, and programs into measurable public value and strategic outcomes. In this regard, performance-based budgeting emphasizes the alignment between resource allocation and expected results. Therefore, the effectiveness of budgeting practices, including budget participation and budget goal clarity, plays a significant role in determining performance outcomes. Organizations that implement clear and participative budgeting processes are more likely to achieve higher levels of efficiency, accountability, and service effectiveness.

In the context of BNN, organizational performance becomes a crucial benchmark because the institution carries strategic responsibilities in drug prevention, law enforcement, rehabilitation services, intelligence coordination, and community protection. Strong organizational performance directly influences the effectiveness of anti-drug programs, the quality of public services, institutional credibility, and the achievement of national goals in creating a safer and healthier society free from drug abuse.

III. RESEARCH CONCEPTUAL FRAMEWORK

The conceptual framework proposes that employee participation in budgeting and the clarity of budget goals influence organizational performance directly and indirectly through organizational commitment as a mediating variable.

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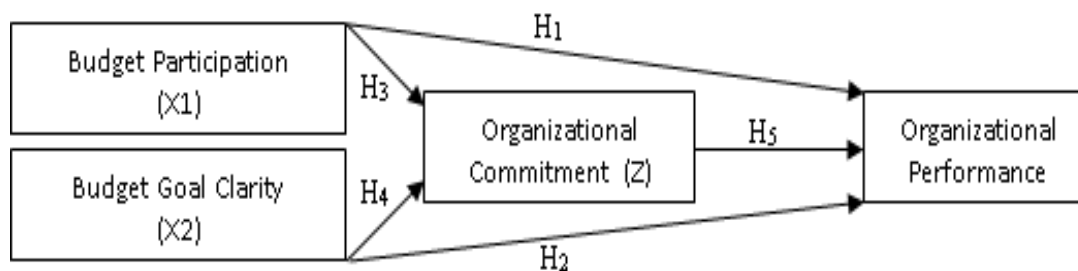


Figure 2. Research Conceptual Framework

Through these relationships, organizational commitment is expected to mediate the effects of employee participation in budgeting and clarity of budget goals on organizational performance. This framework suggests that organizations can improve performance not only by encouraging participation in budgeting and clarifying budget goals, but also by fostering stronger commitment among employees.

IV. HYPOTESIS

Budget participation allows employees to be involved in the budgeting process, enabling the integration of operational knowledge into financial planning. From the perspective of Agency Theory, such participation reduces information asymmetry and improves decision quality (Jensen & Meckling, 1976). In addition, participative processes foster a sense of ownership and responsibility, which can enhance performance outcomes (Chong & Chong, 2002). Several prior studies support this argument by showing that budget participation positively affects organizational and managerial performance, particularly in public sector settings (Djalil et al., 2020; Hutama & Yudianto, 2019; Supriyono, 2004). However, empirical findings indicate that the direct effect of budget participation on performance is not always consistent, as some studies reported insignificant direct relationships and suggested indirect pathways through commitment or motivation (Setyarini & Ambarriani, 2014; Syahputra, 2014). In this study, budget participation is expected to affect organizational performance.

H1: Budget participation has a positive effect on organizational performance.

Budget goal clarity refers to the extent to which budget goals are clearly defined and understood. According to Goal-Setting Theory, clear and specific goals improve performance by directing effort and reducing ambiguity (Locke & Latham, 2002). When employees understand budget goals, they are more likely to align their activities with organizational objectives. Previous studies found that clearly defined budget goals improve managerial and governmental performance because employees can focus on measurable priorities and expected results (Hawalya et al., 2025; Jawadi et al., 2016; Wijayanti & Rahmawati, 2021). Empirical evidence suggests that budget goal clarity significantly improves performance outcomes, both directly and indirectly.

H2: Budget goal clarity has a positive effect on organizational performance.

Budget participation enhances employees' involvement in organizational processes, which can strengthen their psychological attachment to the organization. Participative decision-making fosters a sense of belonging and increases perceived fairness, leading to higher organizational commitment (Mowday et al., 1982). When employees are given opportunities to contribute ideas and influence decisions, they tend to feel more valued and connected to the organization. Empirical studies also confirmed that participative budgeting significantly strengthens organizational commitment (Noor & Othman, 2012; Selvina & Yuliansyah, 2015; Yahya, 2008). Thus, greater involvement in budgeting is expected to strengthen employees' commitment.

H3: Budget participation has a positive effect on organizational commitment.

Clear budget goals help employees understand organizational expectations and reduce uncertainty in task execution. This clarity facilitates goal internalization, which strengthens employees' commitment to achieving organizational objectives (Locke & Latham, 2002). Employees who clearly understand what must be achieved are more likely to develop stronger loyalty and responsibility toward the organization. Prior studies indicated that budget goal clarity contributes positively to commitment because employees can better align their roles with organizational priorities (Aprianti et al., 2025; Arifuddin et al., 2017; Eliana et al., 2021). Therefore, clearer budget goals are expected to enhance organizational commitment.

H4: Budget goal clarity has a positive effect on organizational commitment.

Organizational commitment reflects employees' willingness to exert effort and contribute to organizational success. Employees with strong commitment tend to demonstrate higher levels of motivation, responsibility, and performance (Meyer & Allen, 1991). Committed employees are generally more persistent in overcoming challenges and more willing to perform beyond formal job requirements. Empirical studies consistently show that organizational commitment positively influences performance outcomes, especially in public institutions and government agencies (Jawadi et al., 2016; Silviana et al., 2025; Tahar & Sofyani, 2020). Furthermore, organizational commitment may also serve as an important mediating variable in explaining how managerial factors such as employee participation in budgeting and clarity of budget goal influence organizational performance through organizational commitment. Employees who are involved in budgeting processes and clearly understand organizational goals are more likely to develop stronger commitment toward the organization, which in turn enhances their performance.

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Therefore, organizational commitment is not only expected to directly improve organizational performance but also to mediate the relationship between managerial practices and performance outcomes.

H5: Organizational commitment has a positive effect on organizational performance.

V. RESEARCH METHODOLOGY

This study adopts a quantitative approach using a survey method to examine the relationships among budget participation, budget goal clarity, organizational commitment, and organizational performance. The population consists of all employees of BNN in South Sumatra Province, including both provincial and district/city offices operating within a unified budgeting system.

The sample was determined using purposive sampling, with respondents selected based on their involvement in budgeting, planning, financial management, or program implementation, ensuring their relevance to the research objectives. A total of 110 respondents were included, which is considered adequate for analysis using Partial Least Squares–Structural Equation Modelling (PLS-SEM), a method suitable for examining complex relationships and mediating effects (Hair et al., 2021). Data were collected through structured questionnaires distributed both online and offline, using a semantic differential scale ranging from 1 to 6 to capture respondents' perceptions accurately, and subsequently analyzed through the use of PLS-SEM for examining both the measurement and structural components of the model.

VI. RESULTS AND DISCUSSION

A. Outer Model

1) Convergent Validity and Reliability

The assessment of convergent validity and reliability was conducted by examining factor loadings, Average Variance Extracted (AVE), Composite Reliability (CR), and Cronbach's Alpha values. The results for each construct are presented in Table 1.

Table 1. Loading Factor and Reliability Summary

Variables	Loading Range	AVE	CR	Cronbach's α	Status
Organizational Performance	0,795 – 0,881	0,720	0,906	0,902	Valid and Reliable
Organizational Commitment	0,843 - 0,890	0,748	0,919	0,916	Valid and Reliable
Budget goal clarity	0,726 - 0,905	0,737	0,920	0,909	Valid and Reliable
Budget Participation	0,715 - 0,909	0,739	0,928	0,910	Valid and Reliable

Table 1 demonstrates that all constructs meet the required standards for convergent validity. The loading values for each indicator are above 0.70, and all Average Variance Extracted (AVE) values surpass the recommended cutoff value of 0.50. The reliability test also indicates satisfactory internal consistency, as both Composite Reliability (CR) and Cronbach's Alpha values exceed 0.70 (Hair et al., 2022). Therefore, the measurement indicators applied in this study can be considered both valid and reliable in representing each construct.

2) Discriminant Validity – Fornell- Larcker Criterion

Discriminant validity was evaluated through the Fornell–Larcker criterion and the Heterotrait–Monotrait Ratio (HTMT). The Fornell-Larcker criterion was assessed by comparing the square root of the Average Variance Extracted (AVE) of each construct with its correlations with other constructs, while HTMT was used to evaluate the degree of distinctiveness among latent variables. The outcomes of the discriminant validity assessment are presented in Tables 2 and 3, which indicate that each construct is empirically distinct and adequately represents different concepts within the research model.

Table 2. Discriminant Validity- Fornell- Larcker Criterion

Variables	Organizational Performance	Organizational Commitment	Budget goal clarity	Budget Participation
Organizational Performance	0,848			
Organizational Commitment	0,816	0,865		
Budget goal clarity	0,795	0,761	0,858	
Budget Participation	0,585	0,522	0,531	0,860

The diagonal values, reflecting the square roots of AVE, are consistently greater than the inter construct correlations, indicating that the model meets the Fornell–Larcker criterion for discriminant validity.

Table 3. Discriminant Validity – HTMT Ratio

Variables	Organizational Performance	Organizational Commitment	Budget goal clarity	Budget Participation
Organizational Performance				
Organizational Commitment	0,892			

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Budget goal clarity	0,872	0,827	
Budget Participation	0,636	0,559	0,571

All HTMT values remain below the recommended threshold of 0.90, suggesting that the constructs in the model are sufficiently distinct from one another and meet the criteria for discriminant validity.

B. Inner Model

1) R Square:

Table 4. R Square

Variables	R Square
Organizational Performance	0,754
Organizational Commitment	0,598

The results indicate that organizational commitment (Z) obtains an R^2 value of 0.598, which means that budget participation (X1) and budget goal clarity (X2) are able to explain 59.8% of the variance in organizational commitment. This value reflects a relatively strong level of predictive capability within the model. Meanwhile, organizational performance (Y) records an R^2 value of 0.754, indicating that 75.4% of the variation in organizational performance can be explained by organizational commitment, budget participation, and budget goal clarity. Considering the complexity of organizational behavior in public sector institutions, these findings suggest that the variables included in the model are capable of explaining organizational performance effectively and provide empirical support for the relationships proposed in the research framework.

2) Effect Size (f^2): The effect size (f^2) analysis was conducted to evaluate the relative contribution of each predictor variable to the endogenous constructs within the model. The results of the analysis are presented in Table 5.

Table 5. F Square

Description	f^2
$X_1 \rightarrow Z$	0,049
$X_1 \rightarrow Y$	0,063
$X_2 \rightarrow Z$	0,809
$X_2 \rightarrow Y$	0,216
$Z \rightarrow Y$	0,345

Following (Hair et al., 2022), f^2 values of 0.02, 0.15, and 0.35 indicate small, medium, and large effects, respectively. Results are summarized in Table 5. Applying these criteria, budget participation (X_1) has a small effect on organizational commitment (Z) ($f^2 = 0.049$) and organizational performance (Y) ($f^2 = 0.063$). Budget goal clarity (X_2) has a large effect on organizational commitment (Z) ($f^2 = 0.809$) and a medium effect on organizational performance (Y) ($f^2 = 0.216$). Furthermore, organizational commitment (Z) has a medium effect on organizational performance (Y) ($f^2 = 0.345$), indicating that commitment plays an important role in explaining performance outcomes. These findings suggest that budget goal clarity is the strongest predictor in the structural model, particularly in influencing organizational commitment.

3) Hypothesis Testing

The hypothesis testing procedure was carried out using the bootstrapping method with 5,000 resamples to examine the significance of the structural relationships proposed in the model. The analysis includes the evaluation of direct effects, indirect effects, and total effects among the variables. The detailed results are presented in Tables 6, 7, and 8.

Table 6. Direct Effects

	Original Sample (O)	Sample Mean (M)	T Statistics	P Values	Information
$X_1 \rightarrow Z$	0,165	0,178	2,189	0,029	Significant
$X_1 \rightarrow Y$	0,151	0,156	1,677	0,094	Not Significant
$X_2 \rightarrow Z$	0,673	0,656	7,065	0,000	Significant
$X_2 \rightarrow Y$	0,366	0,356	4,054	0,000	Significant
$Z \rightarrow Y$	0,459	0,463	5,286	0,000	Significant

Table 7. Indirect Effects

	Original Sample (O)	Sample Mean (M)	T Statistics	P Values	Information
$X_1 \rightarrow Z \rightarrow Y$	0,076	0,082	1,990	0,047	Significant
$X_2 \rightarrow Z \rightarrow Y$	0,309	0,306	3,887	0,000	Significant

Table 8. Total Effects

	Original Sample (O)	Sample Mean (M)	T Statistics	P Values	Information
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$X_1 \rightarrow Z$	0,165	0,178	2,189	0,029	Significant
$X_1 \rightarrow Y$	0,226	0,238	2,522	0,012	Significant
$X_2 \rightarrow Z$	0,673	0,656	7,065	0,000	Significant
$X_2 \rightarrow Y$	0,675	0,662	7,881	0,000	Significant
$Z \rightarrow Y$	0,459	0,463	5,286	0,000	Significant

Based on the results presented in Tables 6, 7, and 8, each proposed hypothesis can be interpreted and summarized according to the significance and direction of the relationships identified in the structural model. The direct effect of budget participation (X_1) on organizational performance (Y) is found to be positive but not statistically significant ($\beta = 0.151$; $t = 1.677$; $p > 0.05$). This suggests that participation alone may not directly improve performance outcomes without the presence of supporting behavioral mechanisms. This finding may occur because the budgeting process within public sector institutions still tends to apply a top-down approach, where employee involvement in decision-making is limited and participation is more formal than substantive. As a result, employees may have limited influence over budget decisions, reducing the potential impact of participation on organizational performance. Conversely, a more bottom-up budgeting approach could encourage greater employee involvement, ownership, and responsibility, which may ultimately improve performance outcomes. This finding aligns with previous research indicating that the effect of budget participation on performance is often indirect (Noor & Othman, 2012). Thus, H1 is not supported.

In addition, budget goal clarity (X_2) has a significant positive effect on organizational performance (Y) ($\beta = 0.366$; $t = 4.054$; $p < 0.001$), indicating that clear and measurable goals contribute directly to improved performance outcomes. This result is consistent with prior empirical evidence highlighting the role of goal clarity in enhancing organizational effectiveness (Djalil et al., 2020). Thus, H2 is supported.

Furthermore, budget participation (X_1) has a positive and significant effect on organizational commitment (Z) ($\beta = 0.165$; $t = 2.189$; $p < 0.05$). This finding indicates that greater involvement of employees in the budgeting process enhances their psychological attachment to the organization. This result is consistent with prior studies suggesting that participative decision-making fosters a sense of ownership and strengthens commitment (Chong & Chong, 2002; Mowday et al., 1982). Therefore, H3 is supported.

Then, budget goal clarity (X_2) demonstrates a strong positive and significant effect on organizational commitment (Z) ($\beta = 0.673$; $t = 7.065$; $p < 0.001$). This indicates that clearly defined and understandable budget goals enhance employees' commitment by reducing ambiguity and aligning individual efforts with organizational goals. This finding supports Goal-Setting Theory, which emphasizes the importance of clear goals in shaping motivation and behaviour (Locke & Latham, 2002). Therefore, H4 is supported.

Organizational commitment (Z) is also found to have a significant positive effect on organizational performance (Y) ($\beta = 0.459$; $t = 5.286$; $p < 0.001$). This suggests that employees who exhibit stronger commitment tend to demonstrate higher levels of performance, supporting the argument that commitment is a key determinant of work effectiveness (Meyer & Allen, 1991). In addition, organizational commitment serves as a mediating variable linking budget participation and budget goal clarity to organizational performance. The indirect effect analysis reveals that budget participation (X_1) has a significant indirect effect on organizational performance through organizational commitment ($\beta = 0.076$; $t = 1.990$; $p < 0.05$). Employees who participate in the budgeting process tend to feel more valued and involved in organizational decision-making. Such participation can strengthen employees' emotional attachment and sense of responsibility toward the organization, leading to higher organizational commitment that subsequently encourages employees to exert greater effort and improve their performance. Similarly, budget goal clarity (X_2) also exhibits a significant indirect effect on organizational performance through organizational commitment ($\beta = 0.309$; $t = 3.887$; $p < 0.001$). When employees clearly understand organizational objectives, they are more likely to develop stronger commitment toward the organization. This commitment can motivate employees to work more effectively and contribute to improved organizational performance. Therefore, H5 is supported, indicating that organizational commitment plays an important role in improving organizational performance both directly and indirectly through its mediating function.

VII. CONCLUSIONS

This study explores how employee participation in budgeting activities and the clarity of budget objectives are associated with organizational performance, while also considering the mediating role of organizational commitment. Using the PLS-SEM approach, the findings indicate that employee participation in budgeting does not directly lead to higher organizational performance. A possible reason is that the budgeting system within the institution still tends to operate through a top-down approach, thereby reducing employees' opportunities to participate in strategic decision-making. Even so, employee participation in budgeting remains important because it can enhance organizational commitment, which in turn contributes to better organizational performance. When employees are actively involved in budgeting activities, they tend to develop a stronger sense of ownership, responsibility, and emotional attachment to the organization. As a result, they become more motivated to support organizational objectives and improve their work performance. These findings suggest that organizational commitment plays a mediating role in linking budget participation to organizational performance.

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On the other hand, clearly defined and measurable budget goals were found to positively support organizational performance, both directly and through organizational commitment. The results further suggest that employee involvement and clear organizational goals help create stronger psychological attachment and responsibility among employees toward institutional goals.

Furthermore, organizational commitment demonstrates a positive and significant relationship with organizational performance, both as an independent and as an intervening variable. The findings indicate that organizational commitment not only contributes directly to improve organizational performance but also acts as a bridge linking budget participation and budget goal clarity with organizational performance. In other words, the influence of budgeting practices on organizational outcomes becomes stronger when employees develop a high level of commitment toward the organization. These results highlight the importance of behavioral factors, particularly organizational commitment, in strengthening the effectiveness of budgeting practices in achieving better organizational performance.

Several limitations should be considered in interpreting the findings of this study. The respondents were limited to 110 employees from the National Narcotics Agency (BNN) of South Sumatra Province, which may restrict the broader applicability of the results to other public sector institutions. In addition, the study relied on self-administered questionnaires, making the responses potentially vulnerable to subjective perceptions and social desirability bias. The research also focused only on employee participation in budgeting and clarity of budget objectives, with organizational commitment acting as the mediating variable, so other factors influencing organizational performance were not fully examined, such as leadership style, organizational culture, employee motivation, and internal control systems.

Based on the findings, several recommendations can be proposed. For practitioners, particularly within the National Narcotics Agency (BNN), it is important to enhance employee involvement in the budgeting process to foster a sense of ownership and strengthen organizational commitment. In addition, budget goals should be formulated in a clear, specific, and measurable to ensure better alignment between planning and implementation. Organizations should also strengthen commitment through internal policies such as effective communication, motivation systems, and fair reward mechanisms. Furthermore, continuous monitoring and evaluation are necessary to ensure that budget implementation aligns with planned objectives and contributes to program effectiveness.

For future research, it is recommended to expand the research context beyond public sector institutions and include additional variables, such as leadership style, organizational culture, or job satisfaction, to improve the explanatory power and generalizability of the model. Future studies can examine private organizations, non-profit institutions, and state-owned enterprises.

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