

# An evaluation of the influence of budgeting process on budget performance in Malaysia

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## Abstract

**Purpose** – The purpose of this paper is to evaluate the influence of budgeting process elements (budget participation, preparation, implementation and evaluation) on budget performance of government.

**Design/methodology/approach** – A cross-sectional survey was administered among budget officers from government agencies, departments, and units in Malaysia. Descriptive and regression analyses were used to examine the relationship between the budgeting process and budget performance.

**Findings** – The findings revealed the significant influence of the two predictors: (1) budget participation and (2) budget implementation and evaluation, on budget performance. Both have positive and significant impacts on budget performance. However, budget preparation appeared to have no significant relationship with budget performance, although there is positive effect.

**Originality/value** – This study provides empirical evidence on the budgeting process factors that influence budget performance. The findings hopefully are of interest to government officials, especially frontline bureaucrats, who seek to ensure that budget performance meets expectations in Malaysia and other countries.

**Keywords** Budgeting process, Budget participation, Budget preparation, Budget implementation, Budget performance, Government, Malaysia

**Paper type** Research paper

## Introduction

Performance measurement has been implemented in various areas and processes, such as reporting, management, and budgeting (Osma *et al.*, 2022; Wang, 2000). The main concern of budgeting is to ensure that the government is focusing not only on planning the budget, but also on executing and closely monitoring the budget in an objective, organized, and efficient manner to avoid any misuse of funds. In addition, budgeting seeks to secure taxpayers' trust in the government (Varotsis and Katerelos, 2020).

Budgeting and planning are two areas that require constant enhancement, considering their importance in the management process (Rigby *et al.*, 2020). Despite the awareness of its importance, many organizations are unable to implement precise budget planning and controlling processes. A budget has to be properly designed and effectively executed to foster better performance and high satisfaction. This is especially pertinent in the public sector, as the government is accountable for ensuring the efficient management of public funds.



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Budgeting involves various cycles which can be evaluated through performance measurement (Orlandi and Rabie, 2021). In Malaysia, the practice of budget performance measurement started in 1969 and developed extensively after 1972. Despite having been practiced for almost 50 years, Malaysia's budget performance is perceived as inconsistent from the perspectives of initial allocation and actual spending (The World Bank, 2018). The discrepancy between budget allocation and spending has raised questions regarding the optimization of resources. While it is unfair to make direct assumptions about these inconsistencies and the inefficiency in optimizing resources, there is evidence that several government agencies and departments perform poorly in managing and spending their allocated budget. As reported by the Malaysian Accountant General's Department (2018), the total amount of unspent allocation for that year was RM67.12 billion, with the largest portions attributed to the Prime Minister's Office and the Ministry of Transport, which had unspent totals of RM29.19 billion and RM24.49 billion, respectively.

Underspending or overspending can significantly impact budget performance early in the financial year, as budgets are meticulously planned to optimize allocated amounts. While unspent allocations can be carried forward, this practice weakens the budget performance for the current financial year. Despite its importance, this issue remains underexplored in the literature, necessitating further investigation. Performance measurement is crucial for tracking progress and improving overall functioning (Wang, 2000). Thus, this study aims to: (1) investigate budget officers' practices and opinions on budget participation, preparation, implementation, evaluation, and performance; (2) identify correlations between budget factors and performance; and (3) examine causal relationships between budgeting process components and performance.

#### *Overview of budgeting process in Malaysia*

The budgeting process in Malaysia is intricate, reflecting the nation's dedication to comprehensive fiscal governance. It commences with pre-budget consultations, where government agencies and stakeholders contribute insights on economic conditions and priorities. The Ministry of Finance analyzes economic trends, revenue projections, and expenditure requirements meticulously. Budget proposals from ministries undergo scrutiny and approval within the Cabinet, aligning each with broader economic goals and national priorities. The Prime Minister then presents the approved budget to the Parliament, outlining fiscal policies, revenue and expenditure estimates, and developmental plans. Parliamentary deliberations and committee examinations offer opportunities for thorough scrutiny and adjustments to the proposed budget (Hassan and Tan, 2012).

Once approved by the Parliament, the budget receives royal assent from the *Yang di-Pertuan Agong* (King of Malaysia) formalizing it as law. The implementation phase involves government agencies executing the budget, with careful monitoring to ensure alignment with the approved budget and goal achievement. Periodic mid-year reviews provide opportunities for assessment and necessary adjustments, contributing to the adaptability and responsiveness of Malaysia's fiscal management (Hassan and Tan, 2012). Malaysian budgeting process is a comprehensive undertaking that involves multiple stages, ensuring transparency, accountability, and adaptability in fiscal governance. From pre-budget consultations to parliamentary deliberations and post-implementation reviews, each step contributes to the nation's ability to make informed and dynamic financial decisions.

#### **Evaluating budget performance**

A properly designed budget and budgeting goals help employees understand their roles better and improve their job performance, which then results in the proper usage of the

budget and the achievement of the organization's desired goals (Barney, 2002). In the public sector, most budgeting activities are not profit-oriented; rather, they aim to circulate and spend taxpayers' money in an efficient and reliable manner. Budgeting also plays a role as a communication device that allows the civil servant to engage with the public (Lapsley and Ríos, 2015) to ensure that budgeting goals meet public expectations. A budget must be well-managed and able to assure the public of transparency and accountability in public fund management (Lu and Willoughby, 2015).

Performance measurement is a dynamic tool for the realization of growth and better performance (Wang, 2000). Generally, performance measurement is used to evaluate the efficacy and efficiency of initiatives, programs, and projects. In this regard, budget performance measurement specifically refers to the process of allocating, spending, and managing the government's financial resources in ensuring effective and efficient public expenditure. Willoughby (2004) argued that, if properly implemented, performance measurement in government budgeting results in increased management efficiencies, enhanced program efficacy, and ultimately, better budgets. Thus, budget performance measurement is an effective instrument that is vital for the public sector regardless of the size of the organization (Barney, 2002).

In public budgeting, a range of performance indicators are used to measure levels of achievement and activity. These measures are understood as systematic assessments, either quantitative or qualitative, throughout the period in which the institution operates. The results of these assessments later assist managerial decision-making under both stable and challenging economic conditions (Hou *et al.*, 2011; Melkers and Willoughby, 2005). Behn (2003) provided eight managerial purposes that can be evaluated in performance measurement (Table 1). Notably, budget is listed as one of these purposes.

Overall, a budget serves as a vital instrument for numerical and data-driven insights on a government organization's performance which accounts for the activities (program, expenditure, policy, and budget allocation) carried out by the government for its citizens.

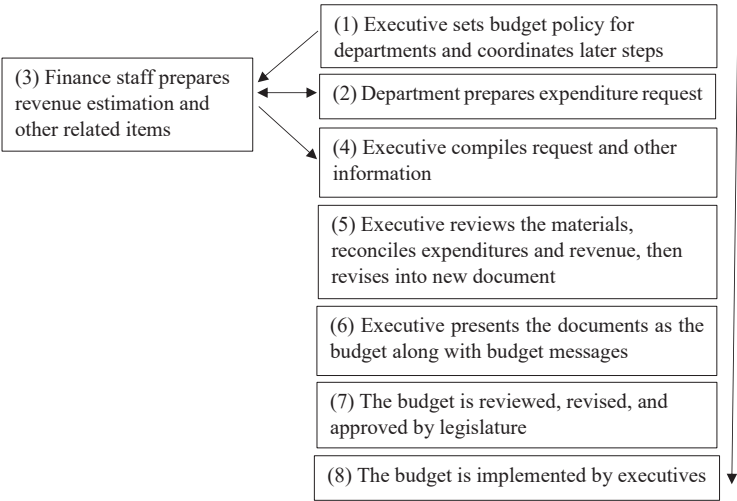
The nature of public budgeting dictates that budgets are allocated based on power battles and political will among stakeholders. This has made the public sector vulnerable to risks, rejections, objections, and criticisms from various angles, as it confronts a complex political system that requires following the preferences of a variety of political players and stakeholders. Such dynamics underscore the necessity of a well-planned and properly executed budgeting process, as illustrated in Figure 1, highlighting the need for budget performance measurement. Performance measurement in budgeting has a positive effect on

| Managerial Purposes | Description                                                                                                                                                                               |
|---------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Evaluate            | How effective is my government organization?                                                                                                                                              |
| Control             | How can I be certain that my employees are performing genuinely?                                                                                                                          |
| Budget              | On what programs, people, or projects should my agency spend the public's money?                                                                                                          |
| Motivate            | How can I inspire frontline employees, middle managers, partners from the nonprofit and for-profit sectors, stakeholders, and citizens to take the actions required to boost performance? |
| Promote             | How can I persuade my political superiors, lawmakers, constituents, stakeholders, media, and the general public that my agency is doing a good job?                                       |
| Celebrate           | What successes deserve the crucial corporate tradition of success celebration?                                                                                                            |
| Learn               | Why does something work or not work?                                                                                                                                                      |
| Improve             | What precisely needs to change for performance to improve?                                                                                                                                |

Source: Behn (2003)

**Table 1.**  
Managerial Purposes  
to be Evaluated in  
Performance  
Measurement

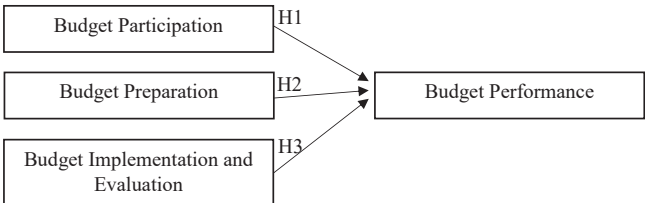
**Figure 1.**  
Budgeting Process  
(Sokolow and  
Honadle, 1984)



the public sector’s performance as it allows the government to assess operational goal attainment, monitor management practices, and decide appropriate budget allocations. To examine budget performance, it is crucial to investigate the stages of the budgeting cycle (Wang, 2000), namely budget participation, budget preparation, budget implementation and budget evaluation. Since all these stages influence budget performance, examining the cycle will provide a better understanding of budget performance as well as improve existing procedures and practices to achieve a high-performing government. Based on the discussion, the study proposes a framework, as depicted in Figure 2.

*Budget participation*

Budget participation refers to the process where those who will be influenced by the budget participate actively in its development, specifically in democratic nations. This bottom-up approach aids the government in gaining wider insights into the issues and struggles faced by citizens, since giving the public the opportunity to discuss and negotiate the distribution of public resources. Management theorists often describe this process as ‘organizational learning’. Kim and Schachter (2013) stated that participation can improve budgetary effectiveness by enabling governments to make better decisions. For instance, the Ministry of Finance Malaysia carried out a public survey for Budget 2022 from May 31 to June 17, 2022, to receive feedback and suggestions for the improvement of next year’s budget (Ministry of Finance Malaysia, 2022).



Source: By authors

**Figure 2.**  
Research Framework

Citizen involvement in the budgeting process is a subject that has drawn scholarly interest for many years. Public participation in the budgeting process gives citizens the opportunity to debate and negotiate the allocation of resources, which helps the government gain a broader understanding of the problems and hardships the public face. [Ebdon and Franklin \(2006\)](#) cited four factors that are considered to impact the involvement process: governmental environment, process design, mechanisms, and goals and outcomes. In their study, governmental environment, process design, and mechanisms were considered as independent variables while the dependent variable was represented by the goals and outcomes of taking part in budgetary decision-making. They concluded that a discrepancy exists between public expectations of government services and the willingness of the public to finance such services. This suggests that the government may not have employed participatory methods with sufficient efficacy to collect data. However, practicing budget participation is not as easy as it seems, as illustrated by the two case studies conducted by [Kim and Schachter \(2013\)](#) on Los Angeles and Buk-gu in South Korea. These studies revealed that efforts to refine participation processes often conflict with the apathy of citizens, potentially due to busy schedules, a lack of resources, or mistrust in the political system.

From the employee perspective, budget participation allows subordinates to participate and express their views or opinions ([Chong, 2002](#)) and exchange facts and figures with superiors ([Shields and Shields, 1998](#)) in preparing a budget. An organization encourages its staff to join the budget setting process in the hopes of reducing budgetary slack and reaching better achievement ([Derfuss, 2009](#)). Although there is substantial research on the relationship between budget performance and participation, the results are varied. There are positive results from the participation of employees ([Nouri and Kyj, 2008](#)) as well as negative results in terms of managerial performance ([Gul et al., 1995](#)). Some studies also reported a non-significant relationship between budget participation and performance ([Otley and Pollanen, 2000](#); [Locke and Latham, 2002](#)). Based on the above analysis, it was posited that:

Hypothesis 1 (H1): Budget participation positively influences budget performance.

### *Budget preparation*

Budget preparation is a sustainable rule through which reputable organizations and governments deliver financial implications in a viable manner. According to [Jatmiko et al. \(2020\)](#), budget preparation is an effective method for delineating the responsibilities of each participant within an organization. This analytical process is undertaken by both government and private sectors to direct ministries efficiently. Preparing a budget is a competent method for adjusting estimates from the previous year and for planning the next year's financial agenda, including the allocation of specific monetary amounts for various purposes ([Pasachoff, 2018](#)). Calculating expenses and projecting surplus income are key aspects of budget preparation, aimed at optimizing revenue and resource allocation within an organization.

It is vital to ensure the budget aligns with government aims and policies involving certain organizations and people with well-defined roles. This process, referred to as budget preparation, is deemed significant for the government as it assists in controlling expenditures and planning for crises while maintaining financial stability. According to [Donahue and Joyce \(2002\)](#), a government may struggle to meet its community's needs during a disaster if it faces administrative and resource constraints. The COVID-19 pandemic underscores the importance of financial stability in a crisis, necessitating substantial fund allocations by governments, particularly to the medical sector for services such as quarantine facilities.

The International Monetary Fund (IMF) emphasizes that to be able to advise policymakers on the viability and desirability of particular budget proposals from a

macroeconomic or microeconomic perspective, it is essential to have a thorough understanding of the budget planning and preparation system beyond mere expenditure projections. In addition, the [IMF \(2022\)](#) states that systems for managing public spending call for four types of financial and fiscal restraints, which are:

- (1) Control of overall spending to ensure affordability (compliance with macroeconomic constraints);
- (2) Efficient methods for allocating resources to reflect expenditure policy priorities;
- (3) Effective public service delivery (productive efficiency); and
- (4) Reduction in the financial costs of managing a budget (efficient budget execution and cash and debt management practices).

Budget decisions can enhance the performance of individual organizations when guided by appropriate rules and regulations. Thus, the use of various accounting tools is essential to support the budget preparation process that prepare for and efficiently manage federal expenditures ([Gilmore and Clair, 2018](#)). Studies have found a significant relationship between budget preparation and budget performance ([Ho, 2018](#); [Arnold and Artz, 2019](#); [Aliabadi et al., 2019](#)). Thus, based on the above discussion, it was proposed that:

Hypothesis 2 (H2): Budget preparation positively influences budget performance.

#### *Budget implementation and evaluation*

Implementation and evaluation are two critical processes in measuring budget performance, as these stages involve putting the proposed budget, developed through participation and thorough preparation, into action and monitoring its progress and performance. Budget implementation and evaluation play a significant role in ensuring the smooth flow of capital and expenditure of the government while fulfilling citizens' needs.

According to the [IMF \(2022\)](#), budget implementation consists of six stages, including authorization, commitment, verification, payment authorization or payment order, payment, and accounting. Proper budget implementation influences subsequent monitoring of different budgeting scheme aspects ([Demir and Geyik, 2018](#)). To ensure smooth implementation, it is essential to engage the public during this phase. The undesirable effects of poor budget implementation are serious; they can be time-consuming to address and may lead to conflict without public engagement ([Beuermann and Amelina, 2018](#)). Though setting a budget rule is difficult and complex, budget viability can be increased through personnel involvement in the budget implementation process. The budgeting process can also be enhanced through ongoing reviews and monitoring to improve budget performance. In addition, feedback is crucial in the budgeting cycle, especially in terms of planning, supervision, leadership, and personnel management ([Joshi et al., 2003](#)). As a periodic monitoring tool for budget implementation, stakeholder feedback exerts a significant influence on budget performance ([Jing and Chao, 2018](#)).

Budget evaluation is the stage during which the actual expenditures are compared with the previously projected expenditures. This is essential in providing broader insight into the government's spending, revenue, and public needs. Budget evaluation is deemed important as it is able to confirm whether the budget is in line with policy. If the budget does not align with policy, or actual expenditure exceeds projections, minor or major amendments are necessary.

The budget is crucial for identifying the gap between allocated funds and actual expenditure in performance measurement ([Ho, 2018](#)). In this manner, budgeting is a standard to evaluate the success of an organization's or government's management. Accordingly, several studies have used budget variance as a tool to measure organizational achievement

and performance. The significant relationship between budget variance and performance has been empirically validated (Guilding *et al.*, 1998). Thus, based on the justifications, it was hypothesized that:

Hypothesis 3 (H3): Budget implementation and evaluation positively influence budget performance.

### *Underlying theories*

The theoretical framework of this research was extracted from the models of several prior studies to investigate the effects of budget participation, budget preparation, budget implementation and evaluation on budget performance. As the features of budget participation that impact the government's performance remain unclear, Parker and Kyj's (2006) model has been used to investigate the connection between budget participation and performance in the government. As for performance measurement, the current budget participation literature has predominantly adopted organizational efficiency as a dependent variable.

Alternatively, this study adopted two main theories which are relevant to the research context. The first is Hofstede's (1980) Cultural Dimensions Theory, which explains the relationship between culture and business settings. He initially introduced four cultural dimensions: power distance (as opposed to closeness), uncertainty avoidance (as against acceptance), individualism (as against collectivism), and masculinity (as against femininity) (Beugelsdijk and Welzel, 2018). Two new dimensions, long-term (versus short-term) orientation and indulgence (versus restraint), were then added to provide a more comprehensive understanding of national culture. Scholars have applied Hofstede's cultural dimensions to examine budget participation and the budget cycle (e.g., Aliabadi *et al.*, 2019). Specifically, Hofstede (1980) suggested that power distance and individualism are related to these budgeting aspects. Power distance is linked to budget participation in terms of how cultures manage human deprivation. Meanwhile, individualism refers to the individual's affiliation with the social class or culture to which the individual belongs (Beugelsdijk and Welzel, 2018).

However, Hofstede's theory is unable to explain the organization's perspective of budget performance, especially in Malaysia. The budgeting system in Malaysia has gone through a reform process that shadows private sector practices to improve efficiency and performance (Din *et al.*, 2015). Hence, considering the elements of business practice and measurement would be appropriate to investigate this issue in the Malaysian context. Therefore, this study adopted the Performance Pyramid Theory (Gilbert, 1978) to fill in the gaps in Hofstede's cultural dimension theory in the framework. The Performance Pyramid Theory puts forward the idea of a variation in the organizational working environment and its motivations. The pyramid has a set of goals for external performance as well as internal effectiveness. The measurement aspects are evaluated horizontally due to their interaction at every level of the organization as well as vertically across the pyramid levels, which is more complex in the public sector setting due to the government's multi-tiered levels. The bottom level of the pyramid labelled 'measuring in the trenches', aims to enhance delivery quality and performance with shorter cycle times and reduced waste (Gilbert, 1978). Non-financial indicators, such as product quality and customer satisfaction, are applied to evaluate activities at this level. Lynch and Cross (1991) suggested that measuring performance should account for the organizational vision as well as individual goals, as these are important elements of any organization. In this research, organizational vision refers to government agencies' vision to achieve social profit rather than financial profit. Meanwhile, individual goals are similar to those of the private sector.

Methodology

The unit of analysis of this study was the individual, specifically budget officers who work in government agencies and departments at federal and state levels. These officers are mandated to perform two important tasks, namely budget preparation and budget oversight during execution (Hadley *et al.*, 2019). A cross-sectional survey questionnaire was administered to the eligible officers. As shown in Table 2, the measurement scales for budget performance, budget preparation, and budget implementation and evaluation were derived from Wang (2000). Meanwhile, the measurement scale for budget participation was adopted from Milani (1975). The research instrument was structured using a five-point Likert scale with a set number of responses ranging from “1” (*strongly disagree*) to “5” (*strongly agree*). Reliability and validity analyses were performed and measured via Cronbach’s Alpha, Average Variance Extracted (AVE), and Composite Reliability (CR). The results of instrument reliability and validity are presented in Table 2. This study further conducted correlation analysis using Spearman’s rank-order correlation and ordinal logistic regression to measure the strength and direction of the association between the variables at the ordinal level.

Results

Descriptive statistics

The study sample consisted of 117 budget officers from federal and state agencies in Malaysia. The majority of the respondents were female, accounting for 70.1 percent, and they exhibited a balanced age distribution, with the largest group ranging from 33 to 39 years old. Support staff, ranging from Grade 19 to Grade 38, constituted 41.9 percent of the respondents. This was followed by professional and management officers, with Assistant Directors at Grade 41 to 44 making up 35.9 percent, and Principal Assistant Directors at Grade 48 to 54 comprising 22.2 percent. Regarding tenure in the budget profession, most respondents had one to five years of experience. An additional 26.5 percent had accrued six to 10 years’ experience, 23.9 percent had 11 to 15 years, and seven percent had over 15 years of experience.

Spearman’s Correlation Coefficient

This study conducted Spearman’s rank-order correlation analysis to measure the strength of the association between the independent and dependent variables. The correlation coefficient results indicated positive associations between all the independent variables and the dependent variable. However, the coefficient values were below 0.39. Budget implementation and evaluation showed a moderate relationship with budget performance ( $r_s = .328$ ), while

Table 2.  
Measurement Model

| Variable                             | Source of Scale | Item | Reliability | Composite Reliability (CR) | Average Variance Extracted (AVE) |
|--------------------------------------|-----------------|------|-------------|----------------------------|----------------------------------|
| Budget Performance                   | Wang (2000)     | 22   | .845        | .943                       | .438                             |
| Budget Participation                 | Milani (1975)   | 6    | .781        | .937                       | .713                             |
| Budget Preparation                   | Wang (2000)     | 3    | .803        | .888                       | .725                             |
| Budget Implementation and Evaluation | Wang (2000)     | 9    | .791        | .894                       | .487                             |

Source: By authors

budget participation indicated a weak relationship ( $r_s = .216$ ). Lastly, budget participation demonstrated a negligible relationship ( $r_s = .195$ ) with budget performance. The correlation analysis results imply that the budgeting process has a significant yet minimal influence on budget performance. Considering these results, this study proceeded to measure the magnitude of the budgeting process' impact on budget performance via regression analysis.

### Ordinal logistic regression

The predictor variables for this study (i.e., budget participation, budget preparation, and budget implementation and evaluation) were tested a priori to verify that there was no violation of the assumption of multicollinearity. The ordinal logistic regression analysis then found that two predictors, budget participation ( $p = .049$ ) and budget implementation and evaluation ( $p = .001$ ), have significant influences on budget performance. Budget participation demonstrated a positive effect on performance ( $\beta = .838$ ,  $SE = .425$ ,  $Wald = 3.883$ ). The estimated odds ratio of 1.147 indicated that with each one unit increase in budget participation, the odds of improved budget performance are 1.147 times higher. Similarly, a positive effect was found for budget implementation and evaluation ( $\beta = 1.372$ ,  $SE = .421$ ,  $Wald = 10.605$ ). This predictor also significantly contributed to the model with an estimated odds ratio of 1.286, whereby an increment of one unit in budget implementation and evaluation improves budget performance by 1.372 units. Overall, it is assumed that any enhancement in budget participation and budget implementation and evaluation would significantly increase budget performance. The detailed findings of the ordinal logistic regression are presented in [Table 3](#).

In brief, the ordinal logistic regression analysis conducted in this study revealed mixed results. Only budget participation, as well as budget implementation and evaluation, were found to have positive and significant effects on budget performance, thus supporting [Hypotheses 1](#) and [3](#). However, budget preparation appeared to have no significant relationship with budget performance, although the beta coefficient indicates a positive effect. Consequently, [Hypothesis 2](#), which posited a relationship between budget preparation and budget performance, was not supported.

### Discussion

This research endeavored to examine the impacts of budget participation, preparation, implementation and evaluation on budget performance. Using correlation and regression analyses, the findings provide evidence that the two predictors: (1) budget participation; (2) budget implementation and evaluation have positive and significant impacts on budget performance. The significant relationship between budget participation and budget

| Variable                             | Estimate | Standard Error | Wald, $\chi^2$ | Odds ratio | Budget performance<br>95% Confidence Interval |             | P-value |
|--------------------------------------|----------|----------------|----------------|------------|-----------------------------------------------|-------------|---------|
|                                      |          |                |                |            | Lower limit                                   | Upper Limit |         |
| Budget Participation                 | .838     | .425           | 3.883          | 1.147      | .004                                          | 1.672       | .049    |
| Budget Preparation                   | .024     | .383           | .004           | 0.993      | -.727                                         | .776        | .949    |
| Budget Implementation and Evaluation | 1.372    | .421           | 10.605         | 1.286      | .546                                          | 2.198       | .001    |

Note: Correlation is significant at the 0.05 level.

Source: By authors

**Table 3.**  
Regression Analysis

performance shows that budget officers' involvement in the budgeting process influences budget performance, in line with the findings of previous studies on this relationship (Nouri and Kyj, 2008; Shield and Shield, 1998). Participation strengthens confidence and a sense of belonging towards the organization (Yuliansyah and Khan, 2017), which in turn leads to increased support for budgetary decisions and enhanced performance (Buele *et al.*, 2020; Oh *et al.*, 2019). Participation also boosts the efficiency of top managers in their administrative tasks and enhances managerial performance (Hooze and Ngo, 2018).

Most of the respondents agreed that they are involved in their unit's budgeting at a large scale and that their supervisors initiate discussions frequently when preparing the budget. This is pertinent to the context of public organizations, which serve dual functions as financiers and providers of public services (Lapuente and Van de Walle, 2020), thereby functioning indirectly as managers of public funds. Public servants are thus required to actively participate in the budgeting process and be well-informed of any budget follow-ups. Indeed, previous research demonstrates notable levels of budget participation in the public sector (Kamau *et al.*, 2017), attributed mainly to job satisfaction among public sector employees (Fachrudin *et al.*, 2021; Schneider and Vaught, 1993).

From a budget preparation perspective, the regression analysis indicates no significant relationship with budget performance. The absence of a significant relationship between budget preparation and budget performance in this study may stem from various factors. These include the intricacies of the budgeting process, methodological constraints, sample size, timing of data collection, and organizational context, all of which have the potential to impact outcomes significantly. Contrary to Mat *et al.*'s (2022) argument on the significance of preparation for task delegation and employee connectivity, suggesting changes in budget preparation may not impact performance, Huang (2019) underscores its importance in ensuring readiness for implementation. Meanwhile, political leadership, including ministers and legislators, plays a pivotal role in shaping budgetary goals. Finance ministers define fiscal policies, setting priorities guiding the budget process, reflecting the government's vision from economic development to social welfare. Legislators, through parliamentary deliberations, ensure alignment with diverse societal needs, impacting resource distribution across education, healthcare, infrastructure, and societal well-being. Thus, the budgeting process is critical for translating political vision into tangible outcomes.

Lastly, budget implementation and evaluation were shown to have a strong positive relationship with budget performance, suggesting that changes in budget implementation and evaluation will greatly impact budget performance. This is in line with previous studies (Ho, 2018) that suggested the influence of budget implementation on budget performance. To strengthen budget implementation, it is pertinent to improve the awareness of stakeholders at this stage to ensure all relevant parties are informed of the budgeting process and progress (Verenych *et al.*, 2019). Awareness not only enhances the effectiveness of implementation and evaluation but also bolsters legal and regulatory compliance, contributing to improved budget performance. This eventually benefits the overall budgeting system and its efficient operations.

## Conclusion

This study underscores the pivotal role of budget participation in shaping budget performance within public organizations. To enhance decision-making, the study advocates for the inclusion of relevant employees from all administrative levels in budgetary activities, organizing discussions hierarchically when participant numbers are substantial. While budget preparation may seem less influential, its regular review is essential to align with evolving budgetary activities, ensuring well-organized documents for optimal decision-making.

Budget implementation and evaluation demonstrate the strongest correlation with performance, highlighting potential risks for organizations lacking in these areas. To address these challenges, the study recommends implementing communication channels and real-time reporting systems for effective monitoring. These measures underscore the critical need for a comprehensive approach to budgeting processes in public organizations.

Moreover, the study has practical and ethical implications. Practically, modifying current practices to enhance participation across all hierarchical levels within Malaysia's decentralized governmental structure is essential. Effective communication can mitigate challenges arising from the three-tiered system — federal, state, and local governance. Ethically, involving various stakeholders in the budgeting process requires prioritizing national benefits over individual or group interests. Adhering to rules and regulations ensures ethical decision-making, involving administrative employees, budget officers, and stakeholders in upholding ethical standards.

The findings of this study offer actionable insights for improving budgeting practices in the Malaysian public sector and beyond. Emphasizing stakeholder engagement, rigorous monitoring, and evaluation processes is crucial for enhancing transparency and accountability in budget formulation and execution. In Malaysia, this means actively involving government agencies, civil society, and citizens in the budgeting process and implementing robust mechanisms for oversight. Additionally, the non-significant relationship between budget preparation and performance suggests a need to streamline procedures and ensure alignment with organizational goals. These principles have universal applicability and can enhance resource allocation efficiency in government budget performance.

This research employed a cross-sectional survey method, limiting the breadth of respondents' perspectives. The majority were junior and middle-level officers, potentially constraining insights into organizational decision-making. While valuable, these findings primarily represent specific tiers within the organization, limiting generalizability. Future research should utilize qualitative techniques, such as interviews or focus groups, with budget officers and stakeholders to provide more comprehensive insights into the budgeting process and performance.

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