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Surefire Strategy: Budget Literacy and Participation as Key to Improving University Performance

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Abstract. Budget literacy and budget participation are important factors in effective financial management in universities. However, research on their influence on university performance is still limited, especially at Surabaya State University, where suboptimal budget management is still a major challenge. This study aims to examine the contribution of budget literacy and participation in budget management to improving university performance, as well as the relationship between good budget understanding and the involvement of various parties in the budgeting process. A combined survey and Focus Group Discussion (FGD) research method was conducted with 20 informants. The results showed that good budget literacy promotes transparency and accountability in fund management, while participation in the budgeting process increases the efficiency and accuracy of fund allocation. Budget literacy and budget participation can improve university performance. Their improvement supports more efficient, transparent, and accountable financial management, which in turn improves the quality of education, facilities, and community service at the university.

Keywords. budget literacy, budget participation, organizational performance, transparency, higher education

Introduction

Budget literacy is an important element that affects overall organizational performance (1). A good understanding of economic literacy, including aspects of budgeting, can help organizations internalize various perspectives, such as financial, service, and internal business process aspects, which in turn support improved performance (2–4). At Surabaya State University, the importance of budget literacy is something that needs to be studied more deeply. Based on the study of Susilawati et al. (2024) which discussed the asset management of Surabaya State University, it was found that this university still needed various improvements in managing its business so that the assets owned could be utilized optimally. Good asset management requires planned management and effective budgeting so that organizational goals can be achieved optimally. The ability to manage the budget, which covers the entire process from planning to evaluation, is an essential part of asset management and overall organizational performance.

Research on budget literacy is still relatively limited, as most studies focus more on financial literacy in general. Findings from previous studies suggest that the budgeting process plays an important role in organizational performance management. Budget literacy is considered essential in helping organizations align their goals with employee expectations, thereby supporting increased productivity and growth (6). Therefore, budget literacy as part of financial literacy needs to be studied more deeply and specifically. At certain stages of budgeting, for example, budget officers may not have a strong financial background, making the measurement of financial literacy too broad and less relevant (1). In the university context, budget literacy provides additional important insights into budget participation, budget emphasis, organizational commitment, and leadership style that can significantly improve employee performance (7). This needs to be accompanied by attention to the applied organizational culture, because monitoring aspects of organizational culture will further strengthen the positive impact of budget literacy on organizational performance.

In addition, budget literacy also aims to improve organizational transparency and accountability. The function of economic transparency has a great impact on organizations and employees, namely making corruption levels lower, better human resource development due to clear socio-economic indicators, increased economic competitiveness as an output to society (8). The involvement of budgeting participation, especially in young human resources, is thought to be able to significantly influence economic growth in an organization because it better understands the prevailing contextual factors (Etzioni, 1968). (9). In the scope of the University, if the organization has good budget literacy, it is significant in the development of certain types of knowledge, competencies, values, attitudes that want to be fostered in student learning (10).

Budget participation has a crucial role in improving organizational performance, as has been proven in various previous studies. However, the study results (11) shows that the implementation of budget participation in universities is still faced with various challenges, including the lack of transparency in budget preparation and details. As a result, the available budget information cannot be fully utilized to evaluate university performance comprehensively and accurately. This indicates that budget participation from various organizational levels can be ineffective or even confusing if not supported by an adequate understanding of budget literacy. Based on the budgeting case at Surabaya State University, this study seeks to examine more deeply how budget literacy and budget participation contribute directly to improving organizational performance.

Literature Review

Budget Literacy

Budget literacy is part of financial literacy which focuses on the ability to understand and manage budgets effectively (12–14). Budget literacy assists firms in making better decisions about resource allocation, monitoring, and budget evaluation (15). According to research Mutegi et al. (2015) and Susilawati et al. (2024), budget literacy has a significant influence on organizational performance, especially in the context of higher education institutions, where this ability can strengthen transparent and accountable financial governance. Good budget literacy allows universities to improve the optimal use of assets and resources, so as to achieve the expected performance targets.

Budget literacy is also important for building a thorough understanding of the financial elements that support organizational sustainability (17). In universities, budget literacy helps stakeholders, including management and staff, to align budgetary needs with organizational

goals and vision (10). Budget literacy means not only reading and understanding budget reports, but also making financial projections, assessing risks, and prioritizing spending to support better education and research (18). This is in line with the opinion of Kenno et al., (2021) that strong expertise in budgeting helps educational institutions design financial programs that are adaptable and sustainable to changes in the academic and economic environment.

Budget Participation

Budget Participation is the process by which a person or group is involved in preparing and managing the organization's budget (17). The purpose of this participation is to create a budget that is more accurate, relevant, and acceptable to all parties involved in the company (18). Budget participation is very important in the university context to increase transparency, commitment, and responsibility of all parties involved. A study by (16) found that budget participation still faces some problems when implemented, such as the vagueness of budget details. Therefore, to produce an effective budget, budget participation must be supported by a good understanding of the budget.

Participation in the budget also improves relationships between different layers of the organization and increases the sense of responsibility for the financial decisions made (19). In universities, this participation allows faculty, staff, and administrative leaders to articulate their specific needs, which can ultimately result in a more equitable and appropriate budget allocation to operational needs (11). Research shows that budget participation can increase employee motivation and commitment to organizational goals, as they feel that their contributions and views are valued in the financial planning process (20). Thus, effective budget participation not only supports budget transparency and relevance but can also improve overall university performance through increased collaboration and engagement between departments.

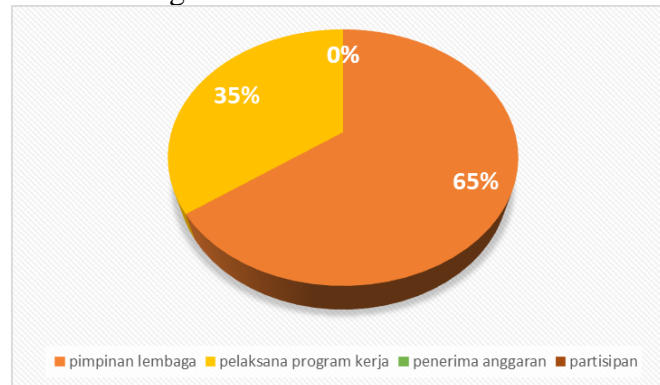
Methods

The research method used in this study is a combination method between survey and Focus Group Discussion (FGD). In the first stage, informants will be given a questionnaire presented in the form of a google form. The data collection technique using this questionnaire consists of three parts: first, inform consent to obtain consent from informants to participate in the research; second, demographic data which aims to collect information about the characteristics of informants; and third, research questions that focus on budget literacy, participation in budgeting, and its effect on university performance.

In the second stage, informants participated in FGDs to discuss and explore their understanding of the importance of budget literacy, involvement in the budgeting process, and its impact on university performance. Through this discussion, the research aims to find out and explore the extent to which the informants' understanding and participation are related to improving performance in the university environment.

Informants in this study were classified into 4 categories, including: leaders of institutions or work units, work program implementers, budget recipients, and participants. The total number of informants who participated in this study was 20 people. Most of the informants who participated in this research were institutional leaders (65%) and work program implementers (35%). The data on the distribution of informants can be seen in the following diagram.

Figure 1 Number of informants



Source: Author's data, 2024

Results and Discussion

Two main themes can be identified from the results of this study, as outlined in the following paragraphs.

A. Budget Literacy in University Life

Budget literacy is the ability to understand and manage financial resources in an organization. Based on the results of the FGDs conducted, it was found that in a university environment, budget literacy is very important to improve transparency, efficiency and accountability in the management of funds obtained, both from internal and external sources. From the results of the research, there are various important findings, among others:

1. Understanding and Functioning of Budgets in Universities

Most informants understood that the budget has the main function as a planning tool and control tool in university operational activities. As many as 60% of informants stated that the budget serves to coordinate activities and organize expenditures in order to achieve predetermined goals. The budget also functions as a performance evaluation tool, as it can be used to measure the achievement of goals and assess the effectiveness of the use of funds.

2. Benefits of the Budget to Various Parties

The budget has a significant impact on many parties in the university. The survey results show that 20 informants agreed that the academic community, consisting of lecturers, education personnel, and students, are the ones who benefit the most from the budget. This is because the budget serves to support various programs that are directly related to the quality of education, facilities, and student activities. In addition, the budget also provides benefits for institutional leaders in making the right decisions regarding the allocation of funds for various activities.

3. The Impact of an Unaccountable Budget

The study also found that unaccountable budgets can risk degrading university performance. As many as 50% of informants mentioned that budget misuse and unclear allocation of funds can result in a decline in service quality as well as inefficiencies in program implementation. It can also lead to a crisis of public confidence in university budget management, which in turn will affect the institution's image and credibility in the eyes of the public and other stakeholders.

4. The Role of Budget Literacy in Performance Improvement

Good budget literacy is proven to have a direct relationship with university performance. Based on the FGD results, it is known that informants who have a good understanding of budget functions, such as in fund management and performance measurement, tend to be more able to carry out activities in accordance with the established budget. Participation in budgeting is one of the factors that influence this. Informants who are involved in budgeting have a better understanding of priorities and the use of available resources, so they can be more effective in managing activities and achieving agreed goals.

5. Budget Literacy as a Coordination Tool

The budget also serves as a coordination tool between work units at the university. With a clear and transparent budget, each work unit can more easily monitor and evaluate performance, and minimize inconsistencies in program implementation. Out of 20 informants, 10 informants mentioned that the budget serves as a means to ensure that all work units move in the same direction to achieve university goals. Good coordination between work units, supported by appropriate budget information, will improve the effectiveness and efficiency of university operations.

6. Access to Budget Information and Decision Making

Another important finding was related to access to budget information. Informants felt that their access to budget information was very helpful in the decision-making process. With sufficient information, they can plan, implement and evaluate activities that are more in line with the available budget, thereby optimizing university performance. However, 10% of informants still felt that their access to budget information was not sufficient to support optimal decision-making.

Budget literacy plays an important role in improving university performance, both in terms of financial management efficiency, accountability, and achievement of program objectives. A good understanding of the budget allows leaders and program implementers to plan for the efficient use of funds, thereby improving the quality of education, facilities, and other university programs. In addition, high budget literacy supports transparency and accountability in financial management, which in turn strengthens the university's image in the eyes of the public and builds trust from various stakeholders, such as students, lecturers, and the community. With a proper understanding of budget allocation and usage, university programs can run as planned and achieve optimal results, which in turn drives the overall growth and development of the institution.

B. Informant Participation in University Budget Management

This study shows that participation in the budget management process at universities is closely related to the performance of these institutions. Based on data obtained from various informants, there are several factors that indicate the importance of the involvement of various parties in the preparation, implementation and evaluation of the budget as an effort to improve the quality and effectiveness of university performance. There are 5 main themes related to budget participation and its relationship with university performance, including: accountability, quality of budget decisions, transparency, and resource management.

1. The Importance of Participation in the Budget Management Process

The results show that participation in university budget management is not only limited to leaders, but also involves various parties, such as faculty, lecturers, and administrative staff. Although the final decision remains in the hands of university leaders, active participation from various parties in budget meetings and the preparation of fund allocations is very important. 11 informants considered that leaders should provide opportunities for participants to convey their

input and ideas. This supports making budget decisions that are more comprehensive and consider the needs of various parties in the organization.

From the research results, it is known that 55% of informants agreed that although the main responsibility for budget management lies with the leadership, related parties are still involved to contribute to budget preparation. The success of university budget management largely depends on how stakeholders at various levels can provide relevant and constructive input in this process. This involvement, while not giving direct voting rights on final decisions, creates a sense of ownership and encourages commitment to budget implementation.

2. Accountability in Budget Management

Accountability was the dominant theme in this study. All informants stated that all budget information should be available and easily accessible to all parties. This is directly related to efforts to create transparent and accountable budget management. High accountability in budget management increases trust from the public, students, staff and other stakeholders. Budget transparency allows all parties to know how funds are being used, which in turn ensures that the allocation of funds is in line with established priorities.

Public trust in universities depends largely on how open and clear budget information is provided. If budgets are managed with good accountability, then universities can reduce the potential for budget abuse or corruption. This will strengthen the university's image in the eyes of the public and help improve the quality of education, research and community service services.

3. Quality of Budget Decisions

Participation in the budget process also has a direct impact on the quality of decisions made. The results show that input from participants in budget meetings is an important consideration for university leaders in making decisions. 65% of informants stated that participants' inputs were seriously considered by leaders in determining budget allocations. By involving various parties in budget decision-making, universities can ensure that broader needs are accommodated more fairly.

Budget decisions made by involving various stakeholders will better reflect the real needs of each unit or program at the university. This will increase the effectiveness of the use of funds and reduce the potential for waste or the allocation of funds that are not in line with existing priorities. In addition, wider participation in the budgeting process helps to enrich perspectives in formulating policies, which can improve university performance in the long run.

4. Transparency and Evaluation of Budget Use

Transparency and evaluation of budget use are important elements in ensuring accountable and efficient financial management. Some 80% of informants considered that evaluations of budget use are conducted regularly and the results are made public. This evaluation process not only helps in assessing whether the budget has been used as planned, but also provides feedback for future budget improvements.

Transparency in budget evaluation creates space for stakeholders to assess university performance and provide input for improvement. An open and well-structured evaluation will increase accountability and encourage universities to continuously adapt to changing needs and challenges faced. This process can also improve the efficiency of budget use by minimizing waste and misuse of resources.

5. Effective Resource Management

Participation in budgeting impacts not only on financial management, but also on the overall management of university resources. With active participation in budget planning, various parties in the university can better understand the allocation of funds to each program

and unit. This promotes more effective resource management, as each unit or department in the university has a clear understanding of the available budget and how it can be used to achieve common goals.

Good budget management can improve university performance in various aspects, from improving the quality of education, facilities, to developing research and community service. By ensuring targeted and efficient allocation of funds, universities can improve their outputs and outcomes, which in turn will contribute to improving the university's reputation and competitiveness at the national and international levels.

Conclusion

This study concludes that participation in the budget management process plays an important role in improving university performance. The involvement of various parties, such as leaders, lecturers, staff, and faculty, in the preparation and evaluation of the budget helps to ensure the allocation of funds that are more in line with the needs of each unit in the university. Although decision-making remains in the hands of the leadership, this participation increases a sense of shared responsibility and commitment to budget implementation. In addition, accountability and transparency in budget management have proven essential for building public and stakeholder trust and preventing misuse of funds. Effective and efficient budget management supports various university programs, such as improving the quality of education, facilities, research, and community service. Broader participation in the budgeting process enriches perspectives and enables university leaders to make more informed and equitable decisions, ultimately contributing to improved university performance and goals. Therefore, universities need to encourage the involvement of more parties in every stage of budget management to create better financial management and support the progress of the institution.

Limitation and Implication

This research has several limitations, including the limited number of informants focusing only on Surabaya State University, which may limit the generalizability of the research results. In addition, this study only relied on questionnaires and FGDs as data collection methods, so there may be biases or limitations in obtaining broader views from all stakeholders. Another limitation is that this study does not include the influence of external factors such as government policies or economic changes that may also affect university performance.

This study provides important implications for budget management in universities. First, universities need to improve budget literacy among all stakeholders, including faculty, staff, and students, to ensure a better understanding of fund allocation and financial priorities. Secondly, the involvement of more parties in the budget planning process should be encouraged to improve transparency, accountability and efficient use of resources. Thus, the results of this study can be used as a reference for universities in designing better budget management strategies to improve institutional performance and competitiveness.

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